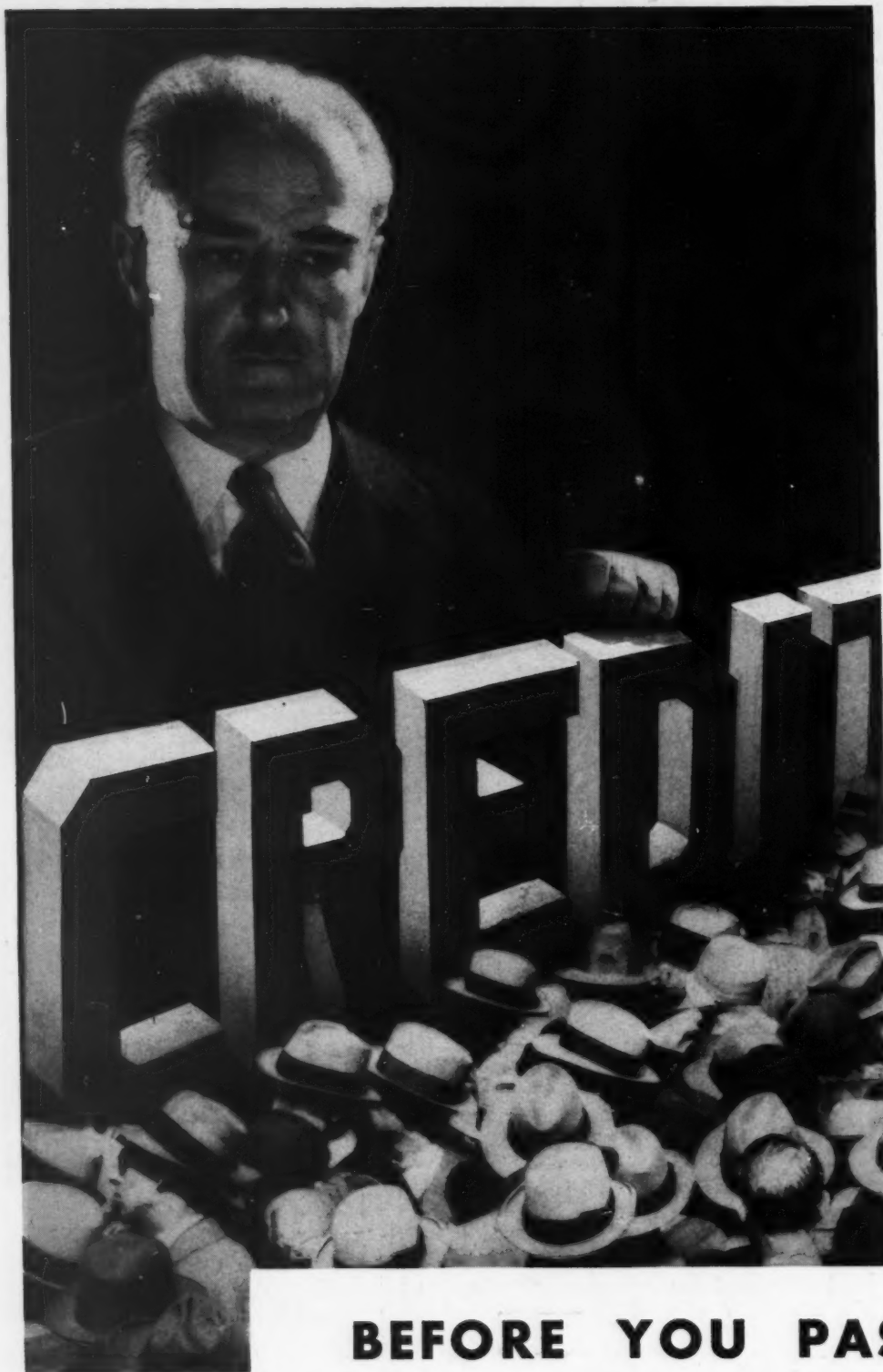


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A stylized illustration of a person in a suit holding a large dollar sign, standing next to a large stack of money and coins. The person is on the left, holding a large dollar sign in front of their chest. To their right is a large stack of money, including several large bills and several stacks of coins. The background is white with some horizontal lines.





## BEFORE YOU PASS CREDIT

—you must know your risk.

The credit manager of today cannot personally interview every credit risk that comes to his desk. He must depend upon reliable sources of information to advise him in his decisions. His is a big responsibility. He must keep good business on the books and weed out the potential losses.

To aid him in the selection of risks The Hooper-

Holmes Bureau offers a tried and proved service in its Credit Reports. Standard Credit, Firm or Corporation, Short Form and Special Service Reports are timely, quickly available and dependable. If you are not already using Hooper-Holmes Credit Reports an inquiry to 102 Maiden Lane, New York, will bring you complete information as to the service available. It's our business to help your business.



**THE HOOPER-HOLMES BUREAU, Inc.**





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### Looking ahead

The hardest task among the credit executive's yearly assignments is the collection of hard cash from frozen assets. And that is usually most difficult after the turn of the year.

Accordingly, our December issue will be the "get-the-cash" number. It will carry articles on the treatment of fixed assets, a page of collection rhymes, an analysis of representative collection systems, collection methods and collection letters besides that very popular monthly feature, "This month's collection letter".

### Our cover

Broadcasting business is one of the activities of the radio industry and this new method of advertising—crooning commodities into consumers' cupboards—is visualized in the camera-study by Ray Lee Jackson of the National Broadcasting Company. The megaphone is truly the modern "horn of plenty".

# CREDIT

## and FINANCIAL MANAGEMENT

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*Editor and Publisher*

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## ATTENTION centers on the POSTAL TELEGRAM ... ACTION FOLLOWS IT QUICKLY!

● The ability of the Postal Telegram to command the immediate attention of the man to whom it is addressed...to urge him to decide when decision is necessary...to impel him to act when action is desirable...these are reasons why credit men use Postal Telegram to collect their overdue accounts.

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System of coordinated telegraph, cable and radio facilities...and because Postal Telegram is manned by an organization trained to give extra service and eager to reveal their training.

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THE INTERNATIONAL SYSTEM

## Postal Telegraph

Commercial  
Cables



All America  
Cables

Mackay Radio



# Black blotters

**C** Every credit executive should have a black blotter on his desk instead of the usual white, pink, green or blue blotter. The black blotter will do a great deal more than blot—it will serve as a constant, emphatic reminder of one of the most important fundamental principles in credit management.

Mr. George Elder, Assistant Secretary of the Los Angeles Credit Men's Association, recently sent me a clipping which explains why many banks in Seattle, Washington, are now using black blotters instead of blotters in the usual, conventional colors. Seattle banks have found that black blotters mean greater efficiency, economy and protection. The white and pastel shades of blotters are greatly in demand among check forgers. On these blotters the signatures of individuals with bank accounts are recorded with all the minute characteristics of the person's hand writing. With the aid of a mirror the signature is reversed into its normal position and is thus accessible for copying and reproducing by the clever, astute forger. The black blotter, however, absorbs the black ink without leaving any discernible or readable outline of the signature. The black blotters mean black despair to the wily forger who has used this method of collecting autographs.

Although test use of the black blotter indicates that it can be used much longer and with greater economy than the ordinary white or pastel color blotter it is the protective feature of this new idea that concerns us particularly.

Almost every forged check means a substantial monetary loss to someone. Even though the forger is apprehended the money is generally spent. With the introduction and use of black blotters one of the forger's heretofore reliable autograph sources has been definitely eliminated. The simple expedient of a black blotter gets the signature and keeps it away from the forger. Black on black is too much for his ingenuity.

Your Credit Department has a definite black-blotter protective function to perform. A black blotter on your desk will be a constant reminder of one of the most important fundamentals in credit management—*get the facts before the facts get you!*

Heavy bad debt losses result from a cumulative continuity of inadequate information on new accounts you place on your books and inadequate information on the changing credit status of all your current accounts. The *crux* of successful credit management is in keeping before you a continuous picture of the credit status of your accounts. Finan-

cial statements are merely static photographs of what your customer's credit standing was yesterday, last week or last quarter. Ledger interchange is a day by day and week by week news reel of the significant changes taking place in the credit standing of your customers. No one can forge inaccurate or unsound credit information on you if you use ledger interchange. Like a black blotter, ledger interchange is the most effective protective feature of credit management.

Black borders are symbols of mourning but black blotters are symbols of net profits. Consistent application of the black blotter principle and method is the only way in which business can erase the black blot of an annual one billion dollar bad debt loss from its escutcheon. Business must carry this heavy burden because too many credit executives have let facts get them instead of getting the facts.

Let's be specific. A balance sheet and profit and loss statement tell you only about past performance. Cash position of a month or two months ago may not mean a thing. Net profit as of July 1st may be absolutely meaningless as of October 1st. Financial statements are very much like an empty stage in a theatre. They serve their purpose as background material but the prevalent mistake is in placing too much reliance and confidence in them. On the stage it is the current performance that is of vital interest and significance. The same thing is true in credit management. And ledger interchange alone gives you an accurate picture of the current paying performance of your customers. The black blotter keeps the signature away from the forger. Ledger interchange keeps the red ink of bad debt losses off your ledgers.

You are interested in several basic facts about your customer: from how many sellers is your customer buying; how long has he been buying from each seller; what is the geographical location of each seller; what is the date of the last sale; what is the highest credit your customer has with each seller; what is the total amount owing, the amount past due, terms of sale and manner of payment? These are the facts you will have to get. If you don't get them, they'll get you!

The black blotter is a symbol of protective and constructive credit management. The black blotter leaves the forger out in the cold. Ledger interchange means cold cash instead of red losses. There should be a black blotter on the desk of every credit executive in the country. And everytime he looks at the black blotter he should think of credit interchange—and then use it!

*Chester H. McCall*





# The business

## a compilation of business and

### Straws in the wind

Blow hot, blow cold—the following straws indicate the strength and direction of the trade winds in recent weeks:

**AUTOMOBILE PRODUCTION:** The industry, judging by the complete halt in production activities at many leading plants, including Buick, Chevrolet, DeSoto, Lincoln, Oldsmobile, Plymouth and Pontiac, is apparently reflecting not only the disposition to keep output in line with demand, but also the usual seasonal contraction which is normal at this time as preparations are made for bringing out new models.

**BANK CLEARINGS:** Bank clearings for the week ended Oct. 19 gained almost \$1,700,000,000 over the previous week. This heavy increase can be traced to the inclusion of mid-month payments and to the fact that the previous week had only five business days.

**BUILDING CONSTRUCTION:** The Bureau of Labor Statistics of the Department of Labor estimates that the cost of building operations for which permits were issued in 353 cities during September was \$31,768,068. This was a decline of 15.2 per cent compared with August, but there was an increase in the number of operations comparing the two months of 6.4 per cent.

**BUSINESS FAILURES:** For the week ended October 13, according to Bradstreet's the total number of failures in the United States amounted to 440 as against 438 in the preceding week and 511 for the corresponding period of last year. Since July of this year the trend of failures has been irregularly downward, primarily due to the stabilizing effect of the Reconstruction Finance Corporation and also possibly to some business improvement and stronger prices.

Business failures in September dropped nearly 20 per cent. from August to the lowest number in more than a year. This is the first time in nearly a year that the number of failures in the United States was less than in the corresponding month a year ago. The number of business fatalities in September, 1,854, is still much larger than the average of the latter years of prosperity.

**CAR LOADINGS:** During the first eight months of this year the freight traffic handled by the Class I railroads of the country amounted to 167,044,101,000 net ton miles, the Bureau of Railway Economics reported. This represents a reduction of 28.6 per cent, in comparison with the freight movement of the corresponding period of 1932, and a reduction of 41.4 per cent, in comparison with 1930.

**FOREIGN TRADE:** Foreign trade of the United States during September again increased, the Department of Commerce reported, the combined gain in merchandise over the previous month being \$30,000,000. At the same time a virtual cessation in the outward flow of gold was reported, exports for the month totalling \$60,000 and imports \$27,597,000. In the previous month, exports were \$18,067,000 and imports \$24,957,000.

**STEEL PRODUCTION:** With the industry then working at about nineteen per cent of capacity, the principal steel producers announced last month that the price for standard steel rails had been reduced to \$40 a ton from the \$43 figure, which had been in effect since October, 1922. Some estimates place the potential buying demand of the railroads at several hundreds of millions of dollars. The lower price for steel rails undoubtedly will encourage a more active demand. A great deal of steel besides rail is needed by the carriers, however, and the buying program believed to have been set in motion will result in a sharp expansion in steel operations.

**EN** The present widespread depression is very largely the outcome of either inadequate or ill-considered steps taken after the War with the object of effecting the re-adjustment of conditions, which had been seriously disturbed by the huge credit inflation and the stupendous World indebtedness incurred. Many of the existing difficulties might have been avoided if re-adjustment had been left to the operation of economic laws, but, for various reasons, such a course was often impracticable. The complexity of the modern World makes a proper co-ordination of its numerous and diverse activities essential if the whole organization is to function smoothly and efficiently. Changing conditions are constantly tending to disturb the balance and when the natural correctives have not been allowed to operate a great amount of mal-adjustment has been produced, for there has been much unsound economic teaching, comments a recent British business review.

The post-War period has been one of remarkable progress in scientific discovery and invention, leading to the development of many new and important industries, but activity which has thereby been stimulated in these directions has frequently been accompanied by a decline in the demand for the products of some of the older industries, calling for many adjustments under the altered conditions. In such a time of rapid development, the industrial and financial structure requires to be exceedingly flexible and adaptable to changing circumstances and there is also the need for co-operation among all sections of the community to facilitate appropriate action along sound lines and in accordance with true economic principles. Unfortunately, these conditions have not always been fulfilled, with the consequence that many of the difficulties now confronting the World are directly or indirectly attributable to the failure to make the required adjustments when the need for them first became apparent.

Through the organization of cartels



# thermometer:

## financial trends and indications

and pooling arrangements, attempts have been made to maintain prices of particular commodities at levels which were not justified by the conditions of supply and demand, with the result that the disequilibrium was accentuated and when eventually it became impossible to prevent quotations falling, the downward movement was much more violent than would have been the case if the decline had been allowed to take place earlier. Similarly, the rigidity of wages and other costs of production, the immobility of labor and the lack of elasticity in many trade union regulations have all played their part in preventing the attainment of that degree of flexibility in trade and industry which the changing conditions required. It is sometimes imagined that the devaluation of a currency is an easy way of effecting adjustments which have proved difficult of attainment by other means, but as the experience of the past twelve months has shown, such an idea is largely erroneous, besides being unfair to creditors at home and abroad and therefore damaging to credit.

Other countries at once take steps to counteract any temporary advantage which may be derived from the devaluation, with the result that only too frequently demands for a further measure of currency depreciation are made, whilst the need for correcting the original disequilibrium still remains. Alterations in the form and character of industrial production, however, have not been the only causes of maladjustment. Both in the domestic and the international spheres, most Governments have been prone to shape their policies without due regard to sound principles and a considerable share of the prevailing disequilibrium is due to extravagant and unjustifiable expenditure and to the impediments to World trade and to the settlement of international indebtedness through the indiscriminate use of tariff and other restrictions.

In view of the heavy increase in

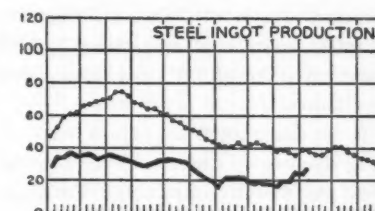
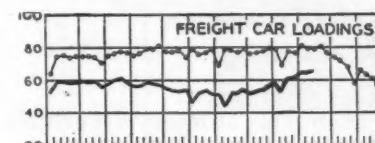
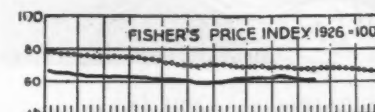
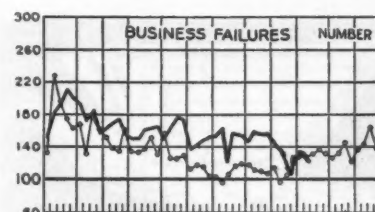
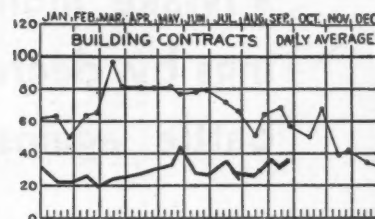
stocks, some indication of the course of production before and since the collapse of the boom in 1929 is instructive. In certain directions, the decline in output has been greater than in any previous depression for which records exist, but in the case of foodstuffs, the reduction has been of very modest dimensions as the index compiled by the League of Nations clearly shows: (Average 1925-29-100.) World production of foodstuffs, 1925, 97; 1929, 103; 1930, 101; 1931, 99.

Several reasons may be advanced in explanation of the failure of lower prices to effect any marked falling off in many branches of agricultural production. It is much less easy for the farmer to reduce his costs by allowing his fields to lie fallow for a whole season than for the industrialist temporarily to close down a portion of his factory and, faced with lower prices for his produce, the farmer, in the first place, endeavors to prevent a decline in his own total receipts by raising and marketing larger crops. There are obvious limits to such a policy, but the recent progress of science and mechanical invention has been an important factor in assisting him to maintain and, in some cases, to increase his output, whilst at the same time, reducing his total costs.

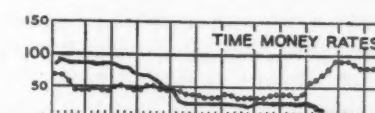
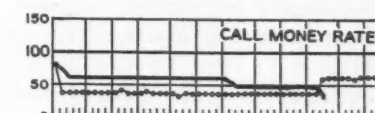
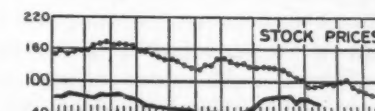
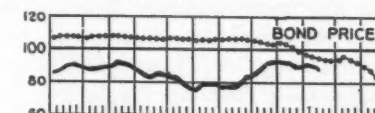
The introduction of the combine and the tractor has facilitated the raising of larger crops with a much smaller labor supply, while the discovery of new varieties of wheat which mature rapidly or are capable of resisting the influence of drought has resulted in fresh areas being brought into profitable cultivation. Again, in such branches of agriculture as fruit and rubber growing, it is (Continued on page 34)

With the exception of Fisher's Index, U. S. Dept. of Commerce charts (right) have the base 1923-25 = 100.

### BUSINESS INDICES



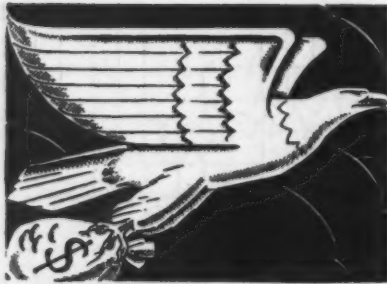
### FINANCIAL INDICES





# Let's make money!

Make money by saving money . . . increase earnings by decreasing losses . . . enlist in this peace-time battle against depression! "Now is the time" . . .



by HENRY H. HEIMANN,  
Executive Manager,  
N. A. C. M.

**C**The making of money is a patriotic thing; earnings spell progress, human welfare, advanced civilization, higher standards of living, added employment, contented workmen, and happy homes.

This is the proper interpretation of making money. There is, of course, another less worthy objective. To make money for the mere sake of amassing wealth as such is greed, and sooner or later brings trouble. It was greed and avarice that rode ruthlessly through the nations and played such havoc with the peace of the world. Those who look at money-making from the angle of satisfying their own selfish interests or avaricious desires restrict their own pleasure in life and become slaves to gold. There is nothing more tragic than a money-mad individual or corporation, with no regard for further welfare—friendless, lonely, the object of universal scorn.

Wastefulness is a vice that prevents the realization of earnings. It is not uncommon to find this vice saddled upon a young, prosperous nation possessed of almost illimitable resources. With plentitude in all sections, the germ of wastefulness finds fertile soil, produces a rank growth which eventually

crowds out the growing crop and thus destroys the harvest.

If the American nation could begin now to save the amount it has annually wasted, our depression era would be a matter of past history and there would return a spirit of citizenship and wholesomeness of living which would enable us to attain a sound standard of living far beyond any heretofore enjoyed.

There is a challenge that comes down to every one of us in this era, when grim tragedy stalks throughout the world taking its toll in physical suffering and mental anxieties. The challenge is to check this waste, to become thrifty and to conserve our resources. And in this conservation movement the credit executive is afforded a rare opportunity.

The credit loss of the nation has mounted to approximately one billion dollars a year. This is almost two-thirds of the total earnings of our larger corporations during the fiscal year 1931. Yet this credit loss can be reduced by as much as 50 per cent. Would any one be interested in increasing the earnings of American industry from 30 to 40 per cent over 1931 figures? The answer is obvious.

The saving of half a billion dollars a year, translated in terms of employment, would go a long way towards the solution of our unemployment problem. A saving of half a billion a year, translated in terms of current credit, would be a great offset to the present frozen credit which is preventing the normal operation of commerce and industry by clogging the streams of credit at their source.

The work of the credit association should be looked upon not merely as a way of checking credit losses but also as a positive aid in the making of profits. It is unthinkable to believe that we have exhausted the sales possibilities

in this country or in the world at large. Greater attention given to the building of a sound system of credits, made possible through the use of the best available tools, will be instrumental in creating greater profit opportunities within territories already partially developed, as well as in territories which have hardly been developed at all.

Through Credit Interchange activities and through Credit Group services, information is disseminated which may be used as a basis for barring from business, by strictly legal methods, those who should never be in business. This in turn will make for greater profits for those who are qualified both from the viewpoint of ability and finances to be in business and will thus make of them better and more profitable customers. The return from this will be far in excess of the billion dollar figure representing the annual credit loss of the nation.

This organization, launched some thirty-six years ago, has been responsible for every major movement in the advancement of industrial credits. It has elevated the work of a Credit Manager to a profession. It has set up mile-posts in credit practices and beacon lights to guide credit safely along its course.

Step by step through an evolutionary process, as the needs of the credit executives demanded it, new credit machinery has been developed, new credit principles enunciated, and new credit practices invoked. It has fought the battle of sound credits. It has thrown around credits the protection so needful to prevent abuse, both criminal and unethical, against which credit must always be on guard.

It behooves every executive in American industry and commerce to study our record, to examine our machinery and tools, and to insist upon their use in every Credit Department.

The accounts receivable of the av-



erage industry are the secondary cash reserve; yet of what value is this reserve if the accounts are not liquid in character or prove unsound in realization? In this day and age of fast-moving events it is impossible to gauge, with the necessary accuracy, the credit responsibility of an industry or a business, unless payable habits are clearly revealed; yet there is only one source to which American industry can turn and discover paying habits with unerring accuracy. That agency is the Credit Interchange Department of the National Association.

Why was it built; how did it originate; ask these questions and you understand the true significance of our Credit Interchange Bureaus. American credit executives, dissatisfied with credit services fast growing obsolescent, utilized their organization to gather together ledger experiences in order that they might more accurately interpret the credit responsibility of their customers. Their efforts built the Interchange service.

Timeliness in the matter of realization of accounts receivable is a most important factor. When the credit flow is reduced by reason of a narrowing channel due to frozen credits, it requires a greater velocity if credit will move and serve at all points. The size of the credit stream is of less importance than the velocity with which it moves, but the ideal situation is a proper supply of credit circulating properly. Experienced men, skilled in dealing with slow-moving accounts, are to be found in each and every one of our local Association Bureaus. No greater contribution to the credit streams of the Nation, which were fast drying up, could be given than a prompt realization of past due accounts, thus replenishing these credit streams with fresh, clear currents. The Collection Departments of the National Association are equipped for that purpose. They are not owned and controlled by any individual, but, on the contrary, here again we find their development to meet the demands of Credit Executives. They are owned, operated and controlled by those who so wisely developed them in response to a crying need.

Liquidations slow and tedious practically rob current credits from a large circulating flow that is urgently needed. In an era such as we are at present experiencing, these liquidations mount to staggering totals. Unfortunately, we are not privileged to bring to a quick

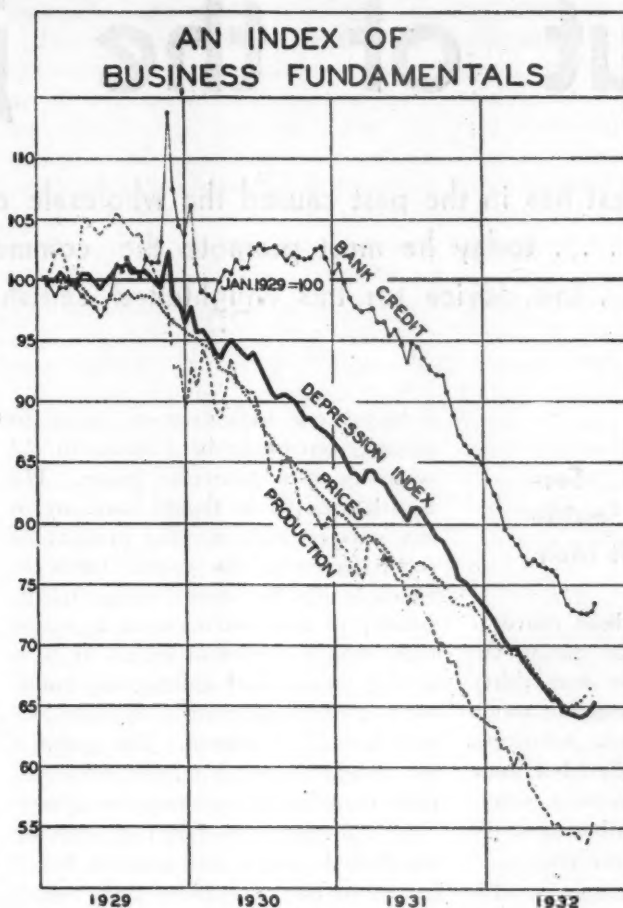


Chart by  
Cleveland  
Trust Co.



conversion frozen credits in bank failures; but we can, if given the opportunity, be of considerable help on industrial and commercial liquidations through our friendly Adjustment Bureaus. We can bring our policy of conservation into effect in a speedy and constructive administration of bankruptcies. Our record in the handling of these liquidations speaks for itself.

A more thorough understanding of credit will contribute as much to human welfare and happiness as any other single factor. In an endeavor to bring this about in industry and commerce the National Association of Credit Men maintains an intensive educational campaign. We have realized all along the powerful influence of credit. The world at large just recently became credit-conscious.

Our efforts are limited only by those who participate in this movement with us. We are now launching a serious program in an endeavor to enlist the cooperation of each and every Credit Executive in this peace-time battle against depression. There is a call to arms; it is a patriotic duty, both to your organization and to your country,

to respond. Enlist now in this great effort we are making to overcome the forces that have frozen credits and so crippled American industry and commerce, brought on unemployment and the tragedies of the recent years. We can contribute to the relief of human suffering if given the opportunity.

Our record as appraised by disinterested parties indicates that the average age of accounts receivable on our members' books is six days less than the average of accounts receivable on non-member ledgers. The interest saving on this item alone when estimated upon all prospective members would yield a sum which would provide a fund which in terms of employment would mean work for several hundred thousand men.

Are we interested in any movement that will give employment to several hundred thousand men? The answer is obvious.

Put it on a business basis, if you wish. Make money by saving money! Increase earnings by decreasing losses!

The opportunity is before us—our duty to our profession, to business, to the country demands that we meet our responsibility.



# Out of the jungle!

Self-interest has in the past caused the wholesale credit man to exact the last ounce . . . today he must promote the commercial well-being of his debtors . . . the device for this enlightened selfishness, Business Service.

by T. J. MULLANE,  
Chairman, Business Service  
Committee, Seattle  
Association of Credit Men.

**B**usiness service has been provocative of much thought during the past few years. For over thirty years I have been closely in touch with that great economic lubricant, credit. At first as a retailer, but more recently as credit manager of a manufacturing corporation distributing staple food products direct to retailers.

In my experience, in common with all other credit men similarly located, I have watched the endless parade of accounts across the ledgers. I have seen business enterprises born, have helped supply them with swaddling clothes, have observed their progress to success or insolvency. Where they have suffered, I also have felt their plight. Where they have thrived, there have I shared their prosperity. Many were doomed to fail. Inexperience, lack of capital, inefficiency, indiscretions as to time and place, all take their share. Others had in them the elements of success; they should have succeeded.

Bankruptcies I have seen that shrieked of needlessness; economic flesh, that should have lived, destroyed, the remains wasted in the costly parceling of shares to the creditors, the bones tossed up on the scrap-heaps of commercial enterprise.

I have done what I could to prevent the crimes. I have advised; I have given of my company's resources to succor an ailing debtor up to the death; I have sought to stay avarice in the administration of the estate for the common good. Yet I am but one. Taken individually, one man doesn't amount to much. His nature is a relative one as set by the average of a group. His prominence in any respect is not a phenomenon existing self-created and apart, but

is rather one indicative of ability to master, control, or be a leader in the activities of a particular group. His wealth itself, if he should have any, is not self-acquired, but the product of group industry, the coined token of which he has, by above average and ingenuity or exertion, managed to secure more than his pro rata share. If he is in high finance, he handles group industry as a commodity and is only productive himself in theory. The group is the thing. Through it, the individual gains individuality and man his culture.

It is interesting to note that what we are pleased to call civilization is but a resume of the many paths along which group interest has been expressed and yet, though it may seem a paradox, the group is but a device to serve the selfish interest of the one. All selfish desires, instructive or intellectual, by which one is motivated seek fulfillment through the equally selfish aid of others. Thus is protection secured, order established, faith ordained, and Bracton's "government by laws" made necessary. Where this collective force has been directed constructively, there civilization has flowered.

It has given us schools, paved roads, navies, and tariffs. In some fields, however, the potentialities of this device have not as yet been realized, and particularly in that of commercial credit the law of the jungle still prevails.

The jungle law—to eat, or be eaten: to squeeze the other fellow to prevent yourself being squeezed. The credit man of the past was unhampered by any obtuse philosophies. His problem was a simple one, get the money! He and his brethren were like a pack of malamutes. As soon as the master, the merchant, showed signs of failing, the pack dashed for his throat, hastening or even causing his death, and each frenzied by the fear that some other might gain undue advantage. Grand was the sport and great the slaughter! Matters of constant distribution, the integrity

**Business in the raw,  
like nature in the  
raw, is seldom mild.**

of brand and price bothered them not. For every store that went out of business, two others started in and sales went on as ever. We were still a pioneering nation. Economic individualism was rampant.

But now the picture has changed. Gone the small capital one-man store. Gone the unbranded product, the barter price, the year's supply, and the uninformed housewife. Gone the broad new fields of expansion, new countries, new money, new population. This is the age of the intense, in commercial competition, in the recultivation of old sources and outlets, in the use of every device to secure strategic economies in a struggle wherein profits must be calculated in terms of a fraction of one percent. Commerce is no longer the simple meeting of the natural supply with natural demand.

Price is no longer the legal "amount that one is willing but not forced to give to one who is willing but not forced to sell". Credit is no longer a mere postponement of payment, but is a delicately balanced system underlying our entire business structure. Honest quality alone is no longer the gauge of success.

Business has become complex. The modern manufacturer is concerned with far more than the quality of his product or its necessity. Before him is his market, the people who can buy his goods. To reach them he must overcome many obstacles. He must prepare himself as for war. He uniforms his product by giving it distinctive name and appearance; he surrounds himself with a staff of experts in the arts of finance, publicity, industrial management, and salesmanship. With advertis-



ing, he gives his troops both advance and support barrages; diplomatic "contact men" keep open his lines of communication. Common sense should dictate that he devote as much interest toward the welfare of his first line of action, the jobbers and retailers who handle his product.

Constantly more closely linked become the fortunes of all. Self interest has in the past caused the wholesale credit men to exact the last ounce. Today he must take a further step, must be more superlative in his selfishness. He must organize to promote the commercial well-being of his debtors. The device through which this enlightened selfishness is to be exercised, I am calling business service.

The causes and cures of commercial ills are not obscure. Science has found a place in business as in other fields, and the elements of success may be as easily compounded in the individual enterprise as in the test tube. There must always, of course, be an appreciable element of fortuity in business success. But within broad limits, rules and principles as definite and as unrelenting as those of chemical formulae hold sway, and today the function of the business expert, the trained experienced analyst of the chemistry of commercial economies, is an important and necessary one. His services are demanded and had by enterprises of sufficient vastness to realize upon his knowledge. Wholesale credit must utilize him to promote the prosperity of vast numbers of comparatively small

ventures, to whom individually his offerings are inaccessible.

This further step, transcendental selfishness, is an inevitable one. In a number of local credit associations, it is being taken in an incipient form. In others' widely scattered practices and attitudes the shadow of its embryo may be seen. Crystallization, the conscious forging of an effective economic tool, awaits but the united realization of its need and united action in its creation. In a day when a business catastrophe may endanger or weaken the position of a thousand others, united action preventatively is predicated. In a day when the law is with increasing clearness, in bankruptcy, homestead, exemption laws, easy receiverships, stockholders irresponsibility, insisting that the seller bear the larger portion of the risk, the seller is justified in seeing that the risk shall be good.

The proposed changes and recommendations of the Department of Justice in our present bankruptcy laws are being studied and approved by students of our business service problems. The new law encourages the honest merchant in assisting him to solve his financial difficulties with the aid of his creditors. It opens for him the gateway of opportunity, permits settlements and extensions outside of court that will bind minorities who plan to exact a preference and retards impartial adjustments favorable to a majority of creditors and debtors alike.

Casting a larger, and perhaps more

altruistic, eye at the matter, a more significant consideration appears. Business service may be regarded as an economic counterpart or subdivision of social service. Both are concerned with the protection, fostering and salvage of human values. One might even say that they are in fact identical and interchangeable concepts. In our society there are a number of organizations, purposive groups, directed towards the securing of some general social benefit along a particular approach. These groups, while often in name restrictively social, have definite economic bases as well. Since we must consider wealth in terms of human activity, any agency which seeks to promote, encourage, or secure the fruits of that activity must be deemed economic to that extent.

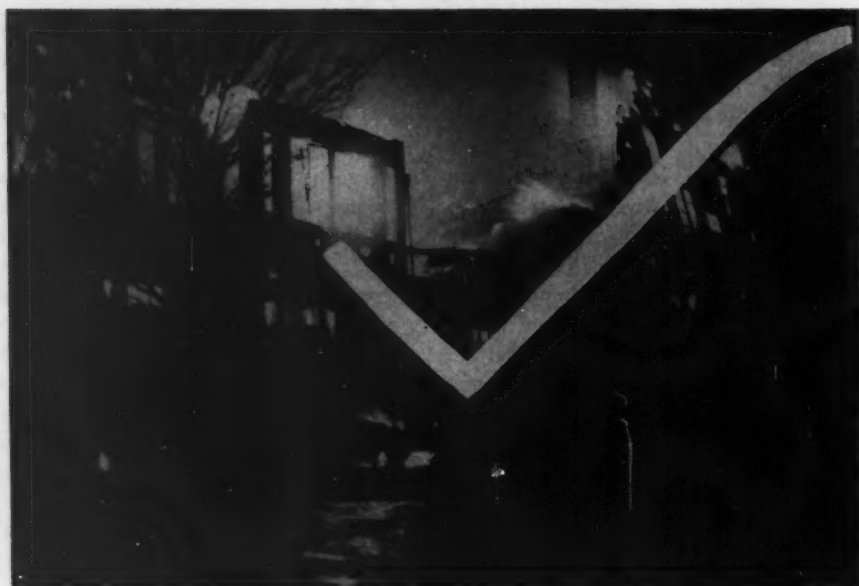
We have long recognized the necessity of group action in securing these social-economic interests. It is not inconceivable that group action should be brought to bear more intensively upon that function in which economic activities of mankind are most strongly expressed—business.

In all cities and towns there are well organized, trained, and efficient fire departments, always ready for emergencies and to respond without delay for the prevention of loss. This condition should be paralleled in commercial activities of our society, in which well disciplined forces should be alert to respond to emergency calls for the prevention of commercial (Cont. on p. 34)

☛ "The jungle law . . . to eat or to be eaten . . . to squeeze the other fellow to prevent yourself being squeezed."







by  
**FRANKLIN H. WENTWORTH,**  
 Managing Director,  
 National Fire Protection  
 Association.

## Checking fire waste

**Why should we pay a half billion dollars every year to replace burned property which we are paying fire department a half billion dollars to protect? Let's deal with causes, not with effects.**

**EN** Twenty years ago the National Association of Credit Men in co-operation with the National Fire Protection Association launched an educational campaign through all its local organizations to arouse the country to the economic significance of the fire waste. Every local association held a fire protection meeting which was well reported in the local press. This was the first organized and related effort at publicity for this important subject. It gave the National Association of Credit Men a new public setting as a body capable of interesting itself in welfare matters not directly related to credits.

Since that time the National Association of Credit Men has cooperated with the National Fire Protection Association in many of its educational efforts; assisting in establishing the observance of Fire Prevention Week; in creating the office marshal in many states; in securing adoption of fire prevention in-

struction in the public schools; and in many other equally important projects.

These enterprises are, however, of less significance than the field engineering service which has been developed by the National Fire Protection Association during the past eight years and which is now arrived at a stage where the National Association of Credit Men can render signal assistance.

For thirty years the National Fire Protection Association has been making the technical standards by which fire may be physically controlled. The National Electrical Code, the codes for the control of hazardous liquids and gases, the codes governing extinguishing devices and fire retardants, these, and others requiring engineering intelligence, have all these years been regularly revised and kept up to date to make them worthy of observance in the face of developing science and industry.

For half of these thirty years the association has functioned as a clearing

house for fire prevention information and as an agency of public education. It has not alone created and maintained technical standards, but has created a complete fire prevention literature to popularize the understanding of them. There is now available to everybody complete technical and non-technical knowledge as to how the fire waste may be checked, but this information will not operate of itself.

To get actual results, this knowledge and experience must be directly applied. Standards may be national, education may be national, the impoverishing effect of fires is national, but every fire is local; it starts in a specific place.

To apply this special knowledge in bringing definite results the field engineering service was inaugurated and is now in operation. The method of attack chosen at the outset, and which must be persistently followed, is to make a special study of local conditions in cities showing continuing high fire losses and to stimulate local agencies to undertake and achieve the desired improvement.

There is no doubt of the effectiveness of this plan if applied, but action in these matters cannot be secured by correspondence or the dissemination of literature. The creation of a competent local committee of influential citizens assembled about the city officials charged with the community fire safety furnishes the most practical organization for a successful attack upon these conditions. Such a local committee, in whatever spirit of enthusiasm it may be created, requires constant encouragement and stimulation. It is the function of this field work to advise with



and serve such committees where they exist and to create them where needed.

Fire insurance companies carry on extensive fire prevention activities and have long given invaluable aid to the National Fire Protection Association through their surveys, their participation in its technical committee work, and the adoption, printing and free distribution of its engineering standards. This work is all the more commendable because fire prevention theoretically is not a function of insurance companies as such. The premium payer does not pay in his insurance rate for fire prevention; he is merely helping to distribute among many the loss which may come to any other insurer. The insurance company cannot make any man safeguard his own property nor that of his community; it can only charge him rates commensurate with the hazard.

The man who benefits directly by fire prevention is the man who pays premiums. For one thing, insurance seldom covers the whole property loss and there is no compensation for loss of life, or loss of time from business. In the second place, because of competition among insurance companies, insurance rates will adjust themselves in the long run to the fire hazards. There is only one way to reduce insurance rates, and that is by reducing fire losses. And ultimately fire prevention can only be a civic duty, because it is only the premium payer, and those to whom he sells his goods, who suffer as a result of fire waste. The attitude toward fire prevention in any community is written into its insurance rates.

The National Association of Credit Men is in a position to make this field engineering project effective. The need for its application is vital. The fire loss in the United States has been steadily mounting until its annual average has reached the staggering figure of \$500,000,000, and at least 10,000 persons die from fires in this country annually. Briefly and in round numbers the annual burden upon commerce and industry is \$1,500,000,000, divided as follows: to pay for property destroyed \$500,000,000; to pay insurance companies for collecting and distributing this loss \$500,000,000; to maintain fire departments for extinguishing fires (eighty per cent of which are easily preventable) \$500,000,000.

You and all your employees are carrying part of this huge burden of fire waste. Your pay rolls must cover the share of your business in this contri-

bution. Reducing fire losses is a public duty, just as much as it is a public duty to eradicate disease. In the work of reducing fire waste those who have demonstrated for themselves the value of fire prevention should and can most effectively take the initiative in furthering this work. By reducing the huge sums the people are paying annually for waste you enable them to buy your products, you are making a home market for yourself.

What can the credit men do to meet the present situation? The first step is a study or survey of local conditions. The fire waste can be analyzed and controlled like any other municipal or industrial waste. The experience of the field engineers of the National Fire Protection Association in over two hundred cities indicates that the continuing fire waste is due very largely to the failure to direct intelligent study upon the problem.

Here is a vital drain upon our municipal life, capable of steadily sapping a city's individual and collective resources,—a problem that has never assumed the significance of a business proposition. Every other municipal activity is subject to some sort of bookkeeping but the outgo for the fire waste has, so far, always been an unknown quantity. As our cities grow the fire departments grow and the water resources for fire extinguishers grow, in both size and expense. The cost of municipal fire safety is the sum of the water cost, the fire department cost, and the fire insurance cost. And most cities are paying huge sums for a safety to life and property which they do not actually enjoy.

Why should we pay half a billion dollars every year to replace burned property which we are paying fire departments half a billion dollars to protect? It is time we applied enough intelligence to this problem to find out how we are heading. In every other major problem we are dealing with causes instead of effects.

What kind of a business is it that keeps no books; that doesn't know what it is paying for its commodities; that is too thoughtlessly conducted even to reveal the elements that should make up its balance sheet? The thought that these huge and bewildering annual costs can be easily, positively and systematically reduced has not yet penetrated the minds of our people.

If uninterrupted production or mar-

keting of goods is desirable or if ability to compete with factories in other cities is a factor no new enterprise should be persuaded to locate in a city that does not have the complete story of its fire hazards, and a program of how it is to meet them.

The National Association of Credit Men can give to fire prevention the business setting that will cause it to register in the minds of business men. It can advance fire prevention as a business proposition. The moment a vehicle of local business begins to study the fire waste situation a revelation is inevitable.

The value of this activity by the National Association of Credit Men will be paramount because it will enlist the interest of the business leaders, who create influence, and maintain public opinion. The great masses of the people never understand the economic influence that affect their well-being. They have not the mental nor educational resources by which to understand the operation of most fiscal policies, they struggle merely with the physical results. But business leaders, who apply their faculties to these problems, are capable of recognizing the leaks that impair and undermine business prosperity, and once seen can act effectively to stop such leaks.

Here our problem is no longer theoretical or academic; it is concrete, and its solution falls upon those most directly interested in solving it, those who are carrying the financial burden.

What are our cities paying for, and are they getting their money's worth? The cost of their fire safety is the amount of their fire waste and indemnity plus the maintenance cost of their fire departments. How do they know their fire department is competent? The difference between the value and efficiency of these departments in various cities is notable. How do cities know what their principal causes of fire are, and the sections in which most fires occur? What do they know of their conflagration possibilities and the insurance charges they are meeting year after year because of them? What do they know of the prevalence of the crime of arson in their midst, which always flourishes most where the attention to fire prevention is least?

Dozens of other questions, all of financial significance in such an inquiry, are revealed the moment an intelligent survey of local fire conditions is undertaken. The National (Cont. on p. 34)





by **SHIRLEY E. HAAS**, Secretary-Treasurer,  
Kentucky Food Distributors Association, Inc.

**EN** Where are the village blacksmiths, the harness shops, the cobblers, ditch diggers, hod carriers, wheelbarrows and shovels, stove pipes, high shoes, and even the good old bread that mother used to make? Over 7,200 flour mills have been forced out of business in the last 20 years, partly because mother changed her mind.

Somebody conceived the idea of a closed body for automobiles and a dozen industries were affected over night. Men switched to low shoes and silk socks and what has happened to high shoes and cotton socks (with their thousands of skilled workers). The manufacturers of sole leather used to say that there would be a demand for their product as long as babies were born "barefoot." Rubber soles are coming strong and babies are still being born "barefoot."

Automobiles used to keep us busy day and night burning gasoline and tires and now the radio and talking movies demand our presence indoors. Book stores used to prosper but golf has interfered with that trade. How can a man read books and keep up with his golf? 2,500 book stores are supplying the nation with educational material and 500,000 stores are supplying the people with tobacco—over 200 times the number of people are engaged in supplying us with tobacco than those trying to cultivate our brains.

I remember the day when almost every man had a private shaving mug in the barber shop. The safety razor came along and removed the necessity for the private mug and Dad learned to shave himself. Mother used to buy bulk crackers but now she demands them in little fancy packages. This has built a tremendous paper box business and the paper box industry will prosper until mother changes her mind again. Electricity is fighting ice. Wood gave way to coal and coal is fighting a battle to keep oil out of our domestic furnaces.

A lacquer was invented that hardened so fast that a spray had to be invented to handle it. If Duco becomes a substitute for paint what will become of all our paint factories and their associated industries such as linseed oil, zinc, varnish and turpentine? But more important what will happen to the many skilled painters? The Painters' Union has recognized the handwriting on the wall and if a lacquer spray is brought on the job the painters promptly walk out. The question is, "Will the painters finish Duco—or will Duco finish the painters?"

Sixty years ago America was four months wide; trains cut the distance down to four days. Lindy comes along and cuts the distance to less than fifteen hours. People used to live in wooden houses and move about slowly. Now they live on wheels and travel fast. There is an auto in this country for every horse (and for every jackass too, the way some people drive them). It used to be chivalrous to give the road to a lady. Now it is just plain common sense! The horse gave way to the railroad. Interrurbans crowded in for their share. Busses now carry both passengers and freight and airplanes are loaded to capacity.

Up until 1915 there was no surplus merchandise in this country. The American public could consume more than the output of our finished products. Of course the world war came along and extended the time of the sellers' market. Today conditions are different. Our factories can put out many times more than the American public can consume. This condition is no different from what we experienced immediately following the close of the Civil War in 1865, except that we have now no undeveloped West. Our population is not increasing as rapidly as it was at that time, consequently enterprising American manufacturers are striving to



# New

force a demand for their products that does not exist.

This condition brought about intensive selling on the installment plan. It is not uncommon for a family to have its income spent for two years in advance. Manufacturers intensive selling policies have created distribution outlets to such a numerous extent that the American public cannot support them all.

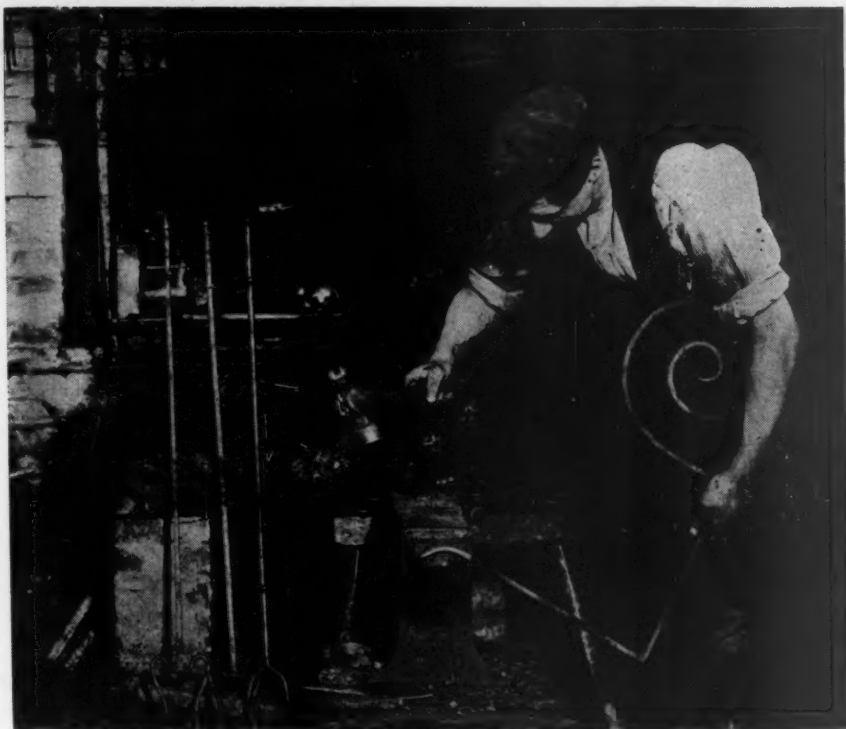
This new competition is hard to understand and harder still to master, but it is here to stay. So if we are to master it we must have a thorough knowledge of all the problems that confront us.

This leads me to the second form of competition, which is research. There is a war on the old way by the new. A college professor when asked if scientific research would help business, replied, "What would the suspender business amount to without the law of gravitation?"

A large industry is no longer safe without a research department. The grocery industry is the largest business in the world and it does not have the aid of such a department. The establishment of a research department is beyond the reach of an individual retail dealer. His only hope for this much

**CREDIT and FINANCIAL MANAGEMENT . . . . . NOVEMBER, 1932**





Under the spreading chestnut tree  
The village smithy stood.  
Under that same tree now there stands  
An automobile hood!

# competition

needed thing is through his trade association. Collectively we can pay for research but individually we cannot. The public is demanding lower costs and the man who does business with the lowest cost is the one who will eventually get the business. It is only through scientific research that he can learn what to do. Chains apply it to their business with constant regularity. They carefully tabulate the foot steps that pass a given point before they set up a new location. They want to know how many of those foot steps are women's because they recognize that 85% of all money spent for merchandise is spent by the lady folks.

There is a tremendous waste in distribution that we as individuals must eradicate if we hope to prosper. Where six men were engaged in production and four in distribution a few years ago, today we have four engaged in production and six in distribution. Scientific research has made it possible to sell 7c rice in puffed form at 61c a pound; 2½c wheat puffed at 68c; 1¼c corn in flakes at 20c.

Herbert Hoover startled the world when he announced that 50% of the money spent for building material was wasted. The evil of odd sizes was responsible for this. Scientific research

has gone to work and is simplifying the size problem. Where there used to be 66 sizes of paving bricks there are now 4. Electric lamps have been reduced from 50 to 5; bedsteads from 78 to 4; milk bottles from 49 to 9; railroad axles from 56 to 6; and coupling pins from 26 to 1. Millions have been saved through this simplification.

What about the grocery industry? We have over fifty odd sizes of number two canned goods and over eighty of number three.

Scientific research has made it possible for fish to fight fowl and both of these are fighting beef. Every food is fighting for a larger share of the consumer's dollar. There are sour kraut and pickles, prunes and spaghetti, coffee and postum, oatmeal and grape nuts. Is it no wonder that John D. Rockefeller is suffering from indigestion!

The paper industry thought it was sitting on top of the world until a young chemist with a head full of brains found a way to make paper out of southern pine. Now, the South is making paper and money too. During the war there were 44 firms engaged in the production of potash; 43 are no longer in the business. Only one is left and

it might interest you to know that the one that still survives was the only one which maintained a research department.

A little research work has been done in the grocery business. Let us look for a moment at some of the findings and see what the facts indicate we should do in order to distribute grocery commodities more effectively and efficiently. In one wholesale grocery house in the city of Louisville a careful tabulation was made of the orders leaving that establishment. 44% of all the orders going out to the retail trade from this particular wholesale house were in amounts under \$5.00; another 34% were under \$10.00. A careful tabulation was made as to the cost of orders in this particular wholesale grocery house and it was found that any order sold and delivered for less than \$10.00 was handled at a loss. 78% of the orders leaving this wholesale grocery house were handled at a loss and constituted 42% of his total volume. In short, 22% of all orders were making up the loss on the 78% and giving this wholesaler what little profit he enjoyed. In analyzing this particular wholesaler a little further, his business was looked into according to the volume of sales per customer. We found that 22% of his customers actually gave him less than \$25.00 worth of business in a year; 10% less than \$50.00 but more than \$25.00; 20% less than \$100.00 but more than \$50.00. A further analysis revealed that 52% of his customers which constituted 12% of his total volume were actually sold at a loss.

Now what is the reason for these small orders and the small volume enjoyed from such a large percentage of his customers?

During the progress of the Louisville Grocery Survey (Cont. on page 34)

CREDIT and FINANCIAL MANAGEMENT . . . . . NOVEMBER, 1932





From "Punch"

# Back to barter?

With the world's tariff walls rising higher and higher, with surpluses of commodities piling up and up . . . commercial nations are returning to an ancient form of intercourse . . . barter.

by CHARLES S. TRUMBULL

**C**Breathes there a man with soul so dead, who never to himself has said, "This is my own, my native land."?

Perhaps there does. But one thing is certain. He is in the minority. Today the nationalist, the "my-country-right-or-wrong" patriot is in power and the tariff walls of the world rise higher and higher, almost as fast as bricks can be found to add to the various barriers.

Today Europe is at the point where it is beginning to realize that something must be done to penetrate the national economic blockades with which each country is threatened as a result of protective tariffs, imports quotas or prohibitions and restrictions on the transfer of currency. And the solution is an old one; barter. Back to barter is the trend of the times. Back to fundamentals—the fundamentals of business in ancient times. History, indeed, can repeat itself!

For the first time in twenty years the tariff is once again a campaign issue in the United States. For the first time in history England imposes tariff duties. Meanwhile economists all over our nation petition for lower tariff duties while business men, fearful of foreign competition in these days of meager business, plead for further restrictions to ensure the home market to themselves.

Economist vs. business man. It is not the first time they have opposed each other on this matter of tariffs.

Free trade grew up in the nineteenth century. It was born in the eighteenth and baptized by Adam Smith in the

year of American independence, 1776, when his notable volume, "The Wealth of Nations" appeared. Let us review its growth and the circumstances that gave it such a fast-growing childhood.

Free trade gained in the nineteenth century because it had such factors in its favor as (1) the industrialization of England with large production at low cost as a result, (2) the opening of America with thousands of settlers ready to buy European goods, (3) it was a new idea and had all the conviction which a new idea often carries along in the first rush of its victories over the established order of things mundane, (4) it seemed logical and was easily understood, (5) its name was in its favor for a century ago freedom and liberty connoted heaven on earth, and (6) it actually seemed as the dawn of that "new era", that brotherhood of man, which the idealists, the philosophers, and the clergy had visioned for centuries.

Like a flood tide, free trade overwhelmed all. Then came the spread of nationalism in the middle of the nineteenth century. Italy had its Cavour and its Garibaldi and Italy became a nation, conscious of its heritage and its future. Germany had its Hohenzollern and its Bismarck and the word German replaced the name of Prussian, Bavarian, or Westphalian. Austria had its Franz Joseph. Similarly with France and Russia.

Nationalism and free trade are obviously strange bedfellows. Since there was no parliament of the world, but rather parliaments of the world, it was not surprising to find free trade edged

out of the bed to land on the floor. Nationalism halted free trade because of the insistence on the national rather than the universal viewpoint, because of the jealousy of debtor nations at the wealth of their creditors, e.g. England in the past century and the early years of this one, and America today.

One of the earliest blows against free trade was instituted in these United States in 1816 when our first distinctly protective tariff was passed as a check to British "dumping" in the years following the Napoleonic struggles. How like events in the past few years!

Subsequently the tariff went higher, after a let-down between 1830 and 1860. Since the World War the United States has raised its walls higher and the anti-dumping argument has gained equal strength with the most authentic of protection arguments—protection of "infant" industries.

Free trade is founded on the principle of an international division of labor; protection is based on national sovereignty. Whichever prevails at the time depends on the political philosophy, of course, of the party in power.

Protection of infant industries was once the only strong argument in favor of high tariff walls. But none has ever conceded that an industry was full-grown, certainly not as long as he had a financial interest in that industry. As the situation appears today there seems little reason for believing that free trade will conquer all objections in the years ahead. Protective tariffs will continue against dumping, as a means of bartering for "favored nation" clauses in treaties and as bargaining tariffs, and until settled conditions prevail in Europe.





From "The Christian Science Monitor"

And right there can be found some justification for the American tariff policy. Despite our tariff we have free trade in an area of three million square miles which contains 120 million inhabitants. Does this perhaps forebode the economic necessity of a United States of Europe?

Free trade is the ultimate goal, it would seem. But can we reach it ere the judgment day horn brings us from our tombs to watch the tariff walls of the world fall, even as did the walls of ancient Jericho in a bygone era?

However, with free trade a philosophy rather than a working principle in the markets of the world, we are today faced with a world using barter for its exchange of goods despite the development of the greatest system of money and credit the world has ever known.

At the start of the year a deal was put through whereby Hungarian pigs were sent to England for cotton cloth. A year ago this Fall the United States Farm Board swapped cotton for coffee with Brazil. The British dominions have just concluded trade agreements with each other whereby England's tariff bars foreign goods in favor of Empire products and the dominions reciprocate with the mother country. "Buy British" is the slogan of the day. Yet within the empire the critics are

strong in their opposition to this policy. The prominent *Manchester Guardian* recently stated, "If we buy only British goods, France only French, Germany only German, it will very soon come about that nobody buys anything."

The answer is given in a whispered tone. England, it seems, is fighting foreign tariffs by indicating the Empire's self-sufficiency and thereby hoping to force reciprocal reductions throughout the commercial world. There is also a new school of thought in England which takes the position that both free trade and protection are now outworn, unworkable methods of trade promotion and they advocate, instead, that group buying and selling in foreign trade is the only solution, either through private or national monopolies of export and import interests or by states trading through government boards on the principle of direct or semi-direct barter with other countries.

Some of the exponents of this policy predict that the success of the Russian Soviet state trading, with complete control of foreign trade, will sooner or later force other countries to adopt or adapt the same system. At any rate, they contend that free trade is now passe because trade is not free and that pro-

tection, though it may restrict imports, does not guarantee the exportation of goods.

We have spoken already of some swapping of goods by the United States and Brazil, by Hungary and England. They are not lone instances. Late in the past summer the Aluminum Company of Canada agreed to ship about \$1,000,000 of aluminum wire to Russia for oil—no cash or other exchange mentioned. A proposal to trade American wheat for Chilean nitrate is held up by political instability in the southern country.

And the times are ready for bartering in commodities. Consider the surpluses. This country has not only excesses of wheat, cotton, copper, oil and other raw materials, but a vast potential excess of finished goods. It is believed in numerous quarters that if American industrial plants could operate at a rate greater than sufficient to meet the current domestic demand and be able to dispose abroad of the excesses of finished products in a manner that would not disturb the world market or result in an involved and dangerous series of international credits, the path out of the depression would be made much easier.

Russia has heavy supplies of coal, oil, manganese, potash, asbestos and other raw materials, but is greatly in need of finished goods and heavy machinery with which to continue her industrialization program. The Soviets have little spare money with which to buy in world markets and probably will have to rely largely on straight barter.

Brazil has such excesses of coffee that it was actually burning great amounts of the bean under a systematic program until the rebellion there started. Cuba has much more sugar than the United States, its principal market, can consume. China is oversupplied with silver. Eastern producers are overstocked with rubber.

In the face of the surpluses the tariffs are mounting higher and higher. Barter is inevitable. Here is a list of principal nations and the nature and the extent of the trade control measures enacted abroad since the start of this year, the compilation being made by the *New York Times*:

**UNITED KINGDOM**—Imposition of a general tariff of 10 per cent ad valorem, effective March 1, to provide additional revenue as well as further to restrict imports. A tariff order, effective on imports beginning April 26, increased on most classes of manufactured and some mainly manufactured goods the temporary 10 per cent rate of duty (Continued on page 42)





# Broadcasting business



What does the public want?

This is a perennial question asked by politicians, theatrical producers, newspaper editors, periodical and book publishers, advertisers, and radio officials.

It is traditional that economics is a dry subject. After three years of depression, however, the attitude of people toward the living science of economics has undergone a radical change. One is no longer surprised to hear a housewife talking about the law of supply and demand. Young people, gathered in groups during the evening, discuss the economic situation with unusual clarity and understanding. Economics has become a vital, vivid subject.

Our people see economics as a science which will enable them to understand the subtle forces behind prosperity and depression. Economics explains unemployment, wages, purchasing power, taxes.

There is no doubt that the radio has been a powerful and significant force in disseminating economic knowledge and educating our people in economic fundamentals. Radio has quite often been criticised for its failure to realize its full responsibilities as an educational medium on economic subjects. This criticism did not seem entirely fair to me, so I decided to ask Merlin H. Aylesworth, the one man who is probably more qualified than any other man, to give radio's answer to this criticism.

Mr. Aylesworth was the first president of our first great broadcasting system and still occupies that position today. When the first radio network was organized, such prominent national leaders as Owen D. Young, General G. E. Tripp of the Westinghouse Company and Major-General James G. Harbord of The Radio Corporation of America selected Merlin Aylesworth to be the president of a new national broadcasting system.

It took considerable persuasion to get him to relinquish his position as



## An interview with MERLIN H. AYLESWORTH by Chester H. McCall

Managing Director of the National Electric Light Association to become the first Chief Executive of the National Broadcasting system. He had established an enviable record in the reorganization of this Association, which is now the largest body of its kind in the world. His experience in public service provided an invaluable background for the new and virgin field of commercial radio broadcasting. Mr. Aylesworth told me that he was particularly fascinated in making this new invention practical, worthwhile and, of course, entertaining.

He set for himself three objectives: first, to find out what programs give the fullest measure of service to the public; second, to establish the best possible facilities for this service; third, to make the entire organization and structure self-sustaining, because radio as an economic factor must stand on its

own legs to survive. These three objectives have been the basic principles of Mr. Aylesworth's executive policy in administering the difficult affairs in building our first broadcasting system into its present position of service and prominence.

One of Mr. Aylesworth's associates told me of the time when the president of the broadcasting called in one of America's best known theatrical geniuses for consultation on what the public wants and likes.

Aylesworth said "I want to ask you humbly, as a novice, to help me answer this question: 'What kind of entertainment do people want?'"

The theatrical producer looked at Mr. Aylesworth, smiled for a moment, then said: "My good man, if I knew what people want and why they want it, I would have a fortune of a billion dollars instead of a million dollars. When the public doesn't know what it wants, how can you expect to answer that question for the public, and even if it did know what it wanted today, by next week, or month, it would want something entirely different."

Undaunted by this advice, but fully cognizant of the difficult job ahead of him, Mr. Aylesworth set out to make radio a great public service and utility. Constantly in the background of his mind was the inspiring vision of what it would mean to a family in a Kansas farmhouse to hear an opera sung by the Metropolitan Opera Company. He visioned family circles in every city and hamlet of the country listening to the voices of our great leaders in education, religion, cultural arts and economics. He left the technical problem of broadcasting to his associates and concentrated on the organization and direction of radio as a major force in modern life.

Mr. Aylesworth is one of the busiest executives in the United States. His seemingly unlimited energy makes it possible for him to be at his desk as early as the first programs of the day are



broadcast from the N. B. C. Studios at 711-5th Avenue. Very often he does not leave his offices until midnight. I was told by another executive, who knows him well, that he frequently spends twenty-four continuous hours on duty. This vast capacity to work long hours at maximum executive efficiency is characteristic of America's great leaders of two or three decades ago. This indefatigable application to work has made Aylesworth one of the outstanding "doers" in American business.

Aylesworth has devoted his life to public relations and to the building and maintenance of good will. That is why I was particularly interested to ask him several questions pertaining to the use of the radio as a factor in the economic education of our people. I have heard a good many people say that mechanical entertainment and advertising announcements were being emphasized to the exclusion of interesting factual programs on economic aspects of current life. This is the first question I asked Mr. Aylesworth:

Are educational programs being increased or decreased on the radio at the present time? Without a moment's hesitation and seeming to anticipate my question, he answered, "Education in one form or another is receiving an ever-increasing share of broadcasting time, a goodly amount of which is devoted to subjects of an economic nature.

"During the past few years of extreme prosperity and extreme depression, economics in one way or another for the first time caught the imagination of the country as a whole. Millions of people who had never considered the matter before suddenly came to realize that the immensely complex trade and credit relations of the nations of the world had a very definite effect upon their own lives.

"It naturally followed that these people began to show an intense interest in economic matters, local, national and international. That interest has been reflected in radio.

"Of the twenty per cent of National Broadcasting Company time which goes to educational matters, a considerable portion falls into the general field of economics, and the popular response to these broadcasts has been enormous.

"These programs may be divided broadly under two classifications—those which are strictly of an educational or instructive nature, and those which deal with actual and immediate economic matters.

"In the former group are the programs presented in regular series by the

National Advisory Council on Radio in Education, the American Taxpayers League and similar organizations; in the latter, the addresses of business, financial and governmental leaders in all parts of the world."

In a great many cases, I have seen people make a hurried dash to turn the radio dial to another station the moment a program on any economic subject was announced. We have all heard of the vast number of letters which reach broadcasting studios from listeners on the popular type of program. No doubt, most of us believe that economic programs bring little response from listeners. After a similar explanation to Mr. Aylesworth I received this answer: "Proof of the wide interest in the Advisory Council programs on economics, for example, is the fact that within ten weeks after their first series was started, nearly 100,000 requests for reading matter had been received.

"Listener groups were formed in many parts of the country, some growing out of a mutual interest in the subject, others evolving as classes in assigned listening as a supplement to established university and high school courses.

"A typical example of the recognition accorded these programs by educational institutions was the action of the Extension Division of the Massachusetts State Education Department, which granted credit and awarded a special certificate for the successful completion of the courses."

After giving a direct answer to the preceding question, Mr. Aylesworth told me that he didn't agree with the idea that people hasten to turn off economic programs as soon as they are announced. He said that he thought this was an exception rather than the rule. With the outstanding speakers represented on these programs, listener interest could not be otherwise than en-

thusiastic. He went on to say, "The programs of the National Advisory Council brought to listeners such outstanding speakers as Professor Stacy May of Dartmouth, Lewis L. Lorwin of the Brookings Institution, Professor Rexford G. Tugwell of Columbia, Professor Edwin F. Gay of Harvard, Professor James Harvey Rogers of Yale, and numerous others of equal distinction.

"The economics series presented by the Council last winter was so successful that it is to be followed by another, beginning this November.

"In the groups of programs dealing with actual and immediate economic problems, the listings of the past year show the names of leaders in all parts of the world who have addressed American listeners over National Broadcasting Company networks upon a wide variety of subjects in the economic field.

"To name them would be to write a list of the governmental, industrial and financial leaders of the world. Heinrich Bruening, then Chancellor of Germany, Winston Churchill of England, Sigfrid Edstrom of Sweden, Andre Citroen, a leading industrialist of France, S. M. Bruce of Australia, are a few of the scores of outstanding men of affairs who have talked to the people of the United States from overseas.

"During the deliberations in Geneva last winter more than forty broadcasts from the seat of the League of Nations were carried over N. B. C. networks. On these programs such outstanding men as Dr. Hjalmar Schacht, former President of the Reichsbank; Sir Walter Layton, Director of the Economic and Financial Section of the League of Nations, and Gates W. McGarrah, President of the Bank for International Settlements, were heard from Europe.

"There is small doubt that the opportunity to hear such men expound their views personally has greatly stimulated interest in the matters which they discussed. The response to these programs has been gratifying, indeed, and has proved conclusively that the people of the United States take a real interest in such subjects today—an interest which probably would not have manifested itself even five years ago, to such an extent."

After this explanation by Mr. Aylesworth of what radio is doing to disseminate economic information to our people, I don't believe any of us can criticize radio for not doing its share in educational economic programs. Without the educational work of the radio during the past three (Cont. on p. 45)





Furthermore, even if the honest debtor has turned over all his assets to his creditors through assignment or deed of trust, he is still at the mercy of those creditors who refuse to accept their proportionate part of the settlement. He may still have to stigmatize himself as a bankrupt, though he has honestly and quickly given his "all" to his creditors. The crooked bankrupt may well say to such a person—"Fool, you've got the name, why not get the gain?"

The evils of the present state assignment system, where the assignor frequently picks out a friendly "assignee" and friendly counsel, are too numerous and too painfully present at all times to need much comment here.

For need we dwell on the present system which permits the appointment or election of irresponsible, inexperienced receivers and trustees; upon the evils of solicitation for proxies to control the election of trustees, and all the other accompanying evils.

Credit men know only too well the red tape now connected with the administration of estates by receivers and trustees, so that today the simplest business act requires the drawing of petitions, the signing of orders, special meetings, hearings, etc., all of which eats up the estate in unnecessary expenses, and delays distribution.

Nor are credit men ignorant of the evils of the ancillary receiver system. How often in recent months, with the collapse of many chain store systems, have we seen the absurd appointment of ancillary co-receivers in as many different jurisdictions as the "chain" had branches, appointments which result in expense, more expense and still more expense, and of course, more red tape.

While this article was being written, the writer noticed two statements in a local paper referring to allowances in ancillary proceedings. Here is what he read:—

"Judge \_\_\_\_\_ of the United States District Court has ordered payment of fees in the ancillary receivership of \_\_\_\_\_ and has ordered payment of the balance to Trustee \_\_\_\_\_ as follows:—

Amount on Hand .....	\$2,264.00
Expenses:—	
To attorney for Ancillary Receiver .....	\$1,000.00
for fees and expenses.	
To appraisers .....	375.00
" accountant .....	150.00
Special master .....	415.00
	\$1,940.00

Balance directed to be turned over to Trustee ..... \$ 324.00"

In the next case, in the same jurisdiction, the total receipts by the Ancil-

lary Receiver were \$1,431.00, the expenses \$861.00, leaving a balance of \$564.00 to be turned over to the Trustee.

Take a large national organization with branches operating throughout the United States, and multiply this situation by the number of federal districts in which the business operates, and you can imagine what the creditors will salvage under the present ancillary system after the balance of the funds comes home to the Trustee in the court of original jurisdiction.

The conclusion is irresistible that the Bankruptcy Act of 1898, under which we now operate, has failed lamentably. The indictment against its operation has been well stated by President Hoover in his message to Congress on the 29th of February, 1932, in the following statement:—

**What a New York lawyer thinks of the proposed Hastings Bill for revision of the present Bankruptcy Act, is set forth in this article. Credit and Financial Management presents it as an expression of the writer's opinion, not as the magazine's viewpoint nor that of the National Association of Credit Men.**

"The present Bankruptcy Act is defective in that it holds out every inducement for waste of assets long after business failure has become inevitable. It permits exploitation of its own process and wasteful administration by those who are neither truly representative of the creditor nor the bankrupt."

The great weight of enlightened public opinion appreciates the necessity for immediate reform of the present Bankruptcy Act.

We now come to the next question: does the proposed administration bill cure the defects existing under the present system?

Before discussing some of the most salient features of the bill, it would be well to observe that this administration bill is not a hodge-podge of ideas hastily gotten together as a quick cure-all nostrum. On the contrary, it represents the result of a most intensive and exhaustive study of the entire bankruptcy system. This study was undertaken at the request of President Hoover, who, on July 29th, 1930, declared:—

"I have authorized the Attorney General to undertake an exhaustive investigation into the whole question of bankruptcy law and practice. It will be a most extensive and vigorous

investigation. The work will be under the direction of the Solicitor General and he will be assisted by the Department of Commerce . . . . The purpose of the investigation is, of course, to propose to Congress some essential reforms in the bankruptcy law and practice."

Since that announcement, the Solicitor General of the United States, former Federal Judge Thomas D. Thatcher, and his assistant, Mr. Lloyd K. Garrison, have made an exhaustive study of this entire subject. These same gentlemen prior thereto cooperated with the Donovan investigation into bankruptcy practice, which took place in the Southern District of New York about two years ago.

The result of their study was embodied in certain recommendations which were submitted to the Judicial Council of Federal Judges and to the Chief Justice of the United States Supreme Court, and approved.

In addition thereto, a great many of the largest and most responsible trade and credit associations throughout the country have gone on record as heartily supporting in principle the recommendations embodied in the administration bill. It is not an over-statement to say that the proposed bill represents the best thought of the nation on this troublesome subject, and should therefore be entitled to the most careful consideration and the approval of every business man and every credit and trade organization.

The administration bill adopts the rightful assumption that the losses caused by bankrupts are a matter of public concern. Each year these losses have grown so that in the last ten years they have increased from \$171,000,000 in 1921 to almost a billion dollars for 1931, and with the probability, according to a recent bulletin of the Cleveland Trust Company that they will reach a new high for 1932.

In addition, the number of bankrupts has grown alarmingly year after year, from 15,000 in 1921 to 60,000 in 1931, and more, of course, this year.

But these staggering financial losses do not evaporate into thin air. They have to be charged back to the business community and to the public at large. Surely, a system which involves a loss to the general community of at least a billion dollars a year is sufficiently clothed with a public interest to require public intervention to attempt to effectuate some relief.

This public interest and intervention is assured by the administration bill, providing for the (Continued on page 39)

**CREDIT and FINANCIAL MANAGEMENT . . . . . NOVEMBER, 1932**



# Bankruptcy aims

1. To relieve honest but unfortunate debtors of an overwhelming burden of debt.
2. To effect prompt and economic liquidation and distribution of insolvent estates.
3. To discourage fraud and needless waste of assets by withholding relief from debtors in proper cases.

by MAX TACHNA,  
Tachna & Pinkusohn,  
New York, N. Y.

**THE** administration bill to reform the National Bankruptcy Act was not reported out of committee at the last session of Congress. Why?

Was it because the present act is working so successfully that no reform is necessary? Or, conceding that the present act needs drastic reformation, was the administration bill not reported out because it fails to correct the evils and defects existing under the present Act? If the administration bill does cure the evils and defects existing under our present system, what can the credit men of America do to assure its passage at the next session of Congress?

The purpose of this article is to attempt to answer the above three questions in the order named.

The present act has been on the statute books since 1898. It has had more than a third of a century to justify itself. But has it done so? The situation under the present act is summed up by the Solicitor General in these words:—

"The bankruptcy court has increasingly become a dumping ground for the refuse of commercial wreckage, and a sanctuary where debtors obtain cancellation of their debts regardless of how they may have wasted their property. As a medium of distribution, the Bankruptcy Act has ceased to have any importance to the mercantile community, except in a very small percentage of cases."

According to statistics gathered by the Solicitor General, dividends paid to the unsecured creditors, through the years, have decreased almost to the van-

ishing point. The records show that the average dividend paid unsecured creditors had decreased from a high in 1923 of 7.7% to 5.1% in 1931.

Surely, a bankruptcy system which shows a return of only 5% to creditors can hardly be called successful.

But it is not alone in the meagerness of dividends to creditors that the present act has lamentably failed. Under the present system there is no incentive for a debtor to bring his estate into the bankruptcy court as soon as he knows he is insolvent. The theory of many bankrupts is so to deplete the estate that there are insufficient assets left on hand to warrant any investigation of the case. The more successful the debtor is in doing away with his assets, the better able he is to cover his trail so as to prevent criminal prosecution or objections to his discharge from bankruptcy being raised.

How many times have estates been sucked dry and even deliberately looted by bankrupts? And yet when the cry for investigation and punishment was made by creditors, few, if any, were the creditors who were bold enough to throw good money after bad, to bring the crooked bankrupt to justice.

Of course, we admit that large trade organizations, and particularly the National Association of Credit Men and its local branches, were not deterred by the paucity of assets from going ahead with thorough investigations, and, when necessary, vigorous prosecution. But after all, such cases of investigation and prosecution are the exceptions rather than the rule. Certainly, in the unorganized industries, where credit asso-

ciations are not strong, the chances of crooked bankrupts making a "get-away" with their assets are very great.

It is therefore obvious that the present act is woefully defective in that there is no provision guaranteeing a thorough investigation in every bankruptcy case, regardless of whether or not there are assets in the estate.

But even if the bankrupt is not crooked, there is no compelling reason for him to bring his estate under the jurisdiction of the bankruptcy court until forced to do so. The result, of course, is that the bankrupt very often lives off his estate as long as his creditors allow him, knowing full well that his business must inevitably wind up in the bankruptcy court, for the present law provides no penalty for the debtor who fails to turn over his business to his creditors at the time that he knows there is no reasonable chance of regaining his solvency.

In the debates prior to the enactment of the 1898 bill, this defect was clearly pointed out by one merchant, who said:—

"The present bill (the Act of 1898) . . . stops short where it most needs to go onward, and that is in the discharge of the honest debtor. No matter how badly or how foolishly he has conducted his business, unless there is open and avowed dishonesty, he goes scot free from all indebtedness, and there is good fair prospect if this bill (the Act of 1898) is passed, of a long line of incompetents being turned loose again to prey on the mercantile world. All they have to do is to turn over what few assets they have not been able to lose or squander . . . The bill (Act of 1898) simply tempts a man to run his business to the last extremity and then leave a hollow shell for his creditors to get their pay and comfort from, while the debtor steps down and out, free and clear from everything in the way of indebtedness . . . if the bill becomes a law as it now stands, we make the prediction that the average payments made under it will not net over 30% to the creditors."

Well, the bill did finally pass—and now, after 34 years of experience under it, instead of an average dividend of 30%, the best that general creditors get from bankrupt estates is about one-sixth of that amount. The fear of the merchant of 1898 has been crystallized six times over into a reality for the merchant of 1932.

Now take the case of the honest but unfortunate debtor who tries to make a fair settlement with his creditors. He makes an assignment or deed of trust. But in so doing, under the present system, the very praiseworthy act of turning his business over to his creditors becomes a sword turned against him, constituting an act of bankruptcy, for which a petition may be filed against him.



State	City	Collections	Sales	State	City	Collections	Sales
Utah	Salt Lake City	Slow	Slow	W. Va.	Bluefield	Slow	Slow
Va.	Bristol	Fair	Fair		Charleston	Slow	Slow
	Lynchburg	Slow	Fair		Clarksburg	Slow	Fair
	Norfolk	Slow	Fair		Parkersburg	Slow	Slow
	Richmond	Fair	Fair		Wheeling	Slow	Slow
	Roanoke	Slow	Fair				
Wash.	Bellingham	Slow	Slow	Wis.	Fond du Lac	Slow	Slow
	Seattle	Fair	Slow		Green Bay	Slow	Slow
	Spokane	Slow	Slow		Milwaukee	Fair	Fair
	Tacoma	Fair	Fair				
				Terr. of Hawaii	Honolulu	Slow	Slow

## ■ Nation-wide collection and sales conditions ■

**ALABAMA:** Birmingham reports collections slow, but expects an improvement this month in the agricultural sections. Sales are fair and improving.

**ARKANSAS:** Collections in Ft. Smith are good and are expected to remain so throughout the year. Sales are good, and in some lines, particularly dry goods, have gone beyond anticipated sales for the fall months. It is their belief that sales will continue good.

**CALIFORNIA:** There has been an improvement in both sales and collections in Los Angeles over last month.

**COLORADO:** There is no material pick-up in conditions in Denver, but a better feeling is manifested.

**CONNECTICUT:** Waterbury reports the following: Manufacturing industries report an increase of orders in certain departments, necessitating 24 hour shifts here and there and a somewhat general increase in working hours. Although this does not give the desired "back-log" of unfilled orders, it does create a feeling of hope among the "wage-earners."

**FLORIDA:** Conditions in Jacksonville relative to retail trade continue bad, with collections and sales both slow. Collections in Tampa are very slow, but there has been a pick-up in sales.

**INDIANA:** Sales and collections have improved in Evansville. Terre Haute informs us that collections are fair and sales are improving some-

what, the general outlook is bright, and the coal mines are reopening.

**KANSAS:** Wichita reports collections and sales slow. The farm and oil prices are unfavorable.

**KENTUCKY:** Collections and sales are fair and there is a noticeable betterment in sentiment.

**MICHIGAN:** Detroit furnishes us with the following report: "Collections are slow to fair, with no noticeable change in recent months. Sales

are also slow with some slight signs here and there of a little improvement. Detroit is not a large general merchandise market. The automobile industry, on which it largely depends, is still in a state of lethargy." Both sales and collections have improved in Grand Rapids. There is a feeling of optimism prevailing, plus actual orders—particularly in the furniture factories.

**MINNESOTA:** Minneapolis reports the following: "There is evidence of sales picking up in several industries. In still other industries there are "spotted" instances of improvement. Collections are fair. The extremely low price for farm products gives the farmer very little inducement to sell what he has grown. The situation is aggravated by agitators, men who are preaching a doctrine of resistance, which may or may not have a beneficial effect on prices. Word which comes to us and others indicates that the farmer has his cellar packed. He has vegetables, fruits, smoked meat, and the necessities of life to carry him through the winter. He is, however, without cash to meet debts or purchase anything other than necessities. There is a seasonable improvement in collections in St. Paul, but the low price of farm products limits the amount that can be applied to past indebtedness. The recent

(Continued on page 38)

## Changes since last month's survey

State	City	Collections	Sales
Arkansas	Ft. Smith	Fair to Good	Fair to Good
California	Los Angeles		Fair to Good
Connecticut	Bridgeport	Slow to Fair	
	Hartford	Slow to Fair	
Florida	Tampa	Fair to Slow	
Illinois	Peoria		Fair to Slow
Indiana	South Bend	Slow to Fair	
Iowa	Cedar Rapids	Slow to Good	
	Waterloo		Slow to Fair
Kentucky	Lexington	Slow to Fair	Slow to Fair
Michigan	Detroit	Slow to Fair	
	Grand Rapids	Slow to Fair	Slow to Fair
	Jackson		Slow to Fair
Minnesota	St. Paul	Slow to Fair	
Missouri	St. Louis	Slow to Fair	Slow to Fair
Montana	Billings		Slow to Fair
	Helena	Fair to Slow	Good to Fair
New Jersey	Newark	Slow to Fair	
New York	Albany	Good to Fair	
North Carolina	Charlotte	Good to Fair	Good to Fair
Oklahoma	Oklahoma City		Fair to Slow
Rhode Island	Providence	Fair to Slow	Slow to Fair
Tennessee	Memphis	Slow to Fair	
	Nashville	Slow to Fair	Slow to Good
Texas	Austin	Good to Fair	Good to Fair
	Dallas		Good to Fair
	Ft. Worth	Fair to Good	Slow to Fair
	Waco	Fair to Slow	Fair to Slow
Utah	Salt Lake City	Fair to Slow	Fair to Slow
Virginia	Lynchburg		Slow to Fair
	Roanoke	Fair to Slow	
Washington	Seattle	Slow to Fair	Fair to Slow
West Virginia	Clarksburg	Fair to Slow	
	Wheeling		Fair to Slow
Wisconsin	Milwaukee	Slow to Fair	Slow to Fair



# Nation-wide collection and sales conditions

What they are at present

The outlook for the near future



CREDIT AND FINANCIAL MANAGEMENT offers its regular monthly survey of collections and sales conditions. It is based upon reports from large cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and

manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?" are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in

each state, also what cities report a condition of "Good, Fair or Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Slow	Fair	Minn.	Minneapolis	Fair	Fair
Ariz.	Phoenix	Slow	Slow		St. Paul	Fair	Fair
Ark.	Ft. Smith	Good	Good	Mo.	Kansas City	Slow	Slow
	Little Rock	Fair	Fair		St. Louis	Fair	Fair
Cal.	Los Angeles	Fair	Good	Mont.	Billings	Fair	Fair
	Oakland	Fair	Fair		Helena	Slow	Fair
	San Diego	Fair	Fair	Neb.	Omaha	Slow	Slow
	San Francisco	Fair	Fair	N. J.	Newark	Fair	Fair
Colo.	Denver	Slow	Slow	N. Y.	Albany	Fair	Good
Conn.	Bridgeport	Fair	Fair		Binghamton	Fair	Fair
	Hartford	Fair	Slow		Brooklyn	Fair	Fair
	Waterbury	Slow	Slow		Buffalo	Fair	Fair
D. C.	Washington	Fair	Fair		Elmira	Fair	Fair
Fla.	Jacksonville	Slow	Slow		New York	Good	Fair
	Tampa	Slow	Fair		New Rochelle	Good	Fair
Ga.	Atlanta	Fair	Fair		Rochester	Fair	Fair
	Macon	Fair	Fair		Syracuse	Fair	Fair
Idaho	Boise	Fair	Fair		Utica	Fair	Fair
Ill.	Peoria	Fair	Slow	N. C.	Charlotte	Fair	Fair
Ind.	Evansville	Fair	Fair	Ohio	Cincinnati	Fair	Fair
	Ft. Wayne	Fair	Fair		Columbus	Fair	Fair
	Indianapolis	Fair	Fair		Dayton	Slow	Slow
	South Bend	Fair	Fair		Toledo	Slow	Slow
	Terre Haute	Fair	Fair		Youngstown	Slow	Slow
Iowa	Burlington	Slow	Slow	Okla.	Oklahoma City	Fair	Slow
	Cedar Rapids	Good	Slow		Tulsa	Slow	Slow
	Davenport	Slow	Slow	Oregon	Portland	Fair	Fair
	Des Moines	Slow	Slow	Pa.	Allentown	Slow	Slow
	Ottumwa	Fair	Fair		Altoona	Slow	Slow
	Sioux City	Slow	Slow		Harrisburg	Slow	Fair
	Waterloo	Fair	Fair		Johnstown	Slow	Slow
Kan.	Wichita	Slow	Slow		Pittsburgh	Fair	Fair
Ky.	Lexington	Fair	Fair		Wilkes-Barre	Slow	Fair
	Louisville	Fair	Fair	R. I.	Providence	Slow	Fair
La.	New Orleans	Fair	Fair	So. Dak.	Sioux Falls	Slow	Slow
	Shreveport	Slow	Fair	Tenn.	Chattanooga	Slow	Slow
Md.	Baltimore	Fair	Fair		Knoxville	Fair	Good
Mass.	Worcester	Fair	Fair		Memphis	Fair	Fair
Mich.	Detroit	Fair	Slow		Nashville	Fair	Good
	Flint	Slow	Slow	Texas	Austin	Fair	Fair
	Grand Rapids	Fair	Fair		Dallas	Fair	Fair
	Jackson	Slow	Fair		El Paso	Slow	Slow
	Lansing	Slow	Slow		Ft. Worth	Good	Fair
	Saginaw	Slow	Slow		San Antonio	Slow	Slow
Minn.	Duluth	Fair	Fair		Waco	Slow	Slow



# "This month's collection letter"

Dear Sir:

A few days ago you received a reminder from our Sales Service Department concerning your overdue account. No doubt the matter has been merely overlooked as to date your check has not reached us.

We appreciate your business and want to give you a full measure of cooperation. It is customary, however, on accounts as long past due as yours to have some definite understanding. Therefore, will you kindly accept any one of the following three plans:—

No. 1—By sending us (return mail) check for full amount of your past due account.

No. 2—Check for part with post-dated checks covering balance (not more than three) ten days apart.

No. 3—Some definite paying plan whereby you will send us a check weekly, distributed over a period of not more than four weeks.

It is very important that your acceptance reach us within seven (7) days. That's fair, isn't it?

Most sincerely,

P. R. Sarbry,  
Nu-Way Strech Company,  
Adrian, Michigan.

We present our regular "this month's collection letter". It is unique and effective and an example of good collection letter thinking.

What the country needs is more good collection letters. Their importance in helping pull business out of a depression and then keeping it out is greatly underestimated. There is no short cut to profits as certain as collection letters that do their job.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering for readers of CREDIT and FINANCIAL MANAGEMENT.

■ This month's letter is the first of a fine two letter series. Mr. Sarbry writes that these letters are entirely original and "we attribute their success to the fact that they have been simplified so as to be readily understandable to the average retail store through whom our products are distributed. In letter No. 1 we put the matter squarely up to the debtor in a straightforward, business-like man-

ner, giving him an option of accepting one of three reasonable plans. If he fails to acknowledge this communication giving us some definite acceptance, then we are ready for our letter No. 2, taking the attitude that debtor is not fair and that we must take a different attitude on his account."

Here is one comment received by Mr. Sarbry:

"Enclosed find my check for past due account. I would like to congratulate you on the letter system you are using. It is a refreshing change from the ordinary harsh threatening letters one receives now and then these days."

CREDIT and FINANCIAL MANAGEMENT . . . . . NOVEMBER, 1932



# THESE FOLDERS ARE HELPING MANY CONCERNS TO REDUCE THEIR ACCOUNTING COSTS STILL FURTHER

*Send for the ones that interest you*

## DISTRIBUTION

- 1 Purchases, Statistical, Sales, Expense, Labor, Materials.
- 2 Sales or Purchases—Cost and Selling Price by Departments.
- 3 Sales, Labor, Material, Expense to Unit Accounts.
- 4 Listing, Classifying and Totaling Amounts in one run.
- 5 Consolidating and Posting Branch House Expense and General Ledgers.

## PAYROLLS

- 6 Pay Check (or Pay Envelope), Employee's Statement, Payroll Sheet and Individual Earnings Record—in one operation.
- 7 Payroll Sheet, Pay Check, Wage Card in one operation. Amounts electrically computed at time of writing.
- 8 Extending Time Tickets and posting Earnings Record in one operation.
- 9 Employee's Time Sheet calculated and Unit Posting Media created in one operation.

## STORES RECORDS

- 10 Requisition extended and Ledger posted in one operation.
- 11 (1) Daily Balances of Stores on Hand, Available and Reserved  
(2) a Perpetual Inventory of Quantity and Value.
- 12 Production Control Records: Daily Control of Orders in Process, Stock Record and Sales Distribution as By-products.

## GENERAL ACCOUNTING

- 13 Combining all types of accounting for the small manufacturer.

## ACCOUNTS RECEIVABLE

- 14 Ledger, Statement, Proof—all originals—in one operation.
- 15 Unit Plan, Statement, Ledger and Proof Journal in one operation.
- 16 Unit Plan, Itemized Statement and Skeleton Ledger in one operation.
- 17 Balance analyzed by Months and Total Sales to Date on Each Account. Ledger, Statement and Proof in one operation.
- 18 Statement, Ledger and Full Width Proof Journal written in one operation.
- 19 Ledger posted, Journal written, Sales distributed in one operation.

## PURCHASE AND PAYMENT

- 20 Remittance Advice, Departmental Purchase Record, Register of Approved Invoices posted in one operation.
- 21 Maturity Record, Departmental Purchase Record, Built-up Voucher, Audited Invoice Register, Check and Check Register. Two or more related records written in one operation.

- 22 Remittance Advice, Purchase Distribution Ledger and Voucher Register posted, and Controls established in one operation.

## BILLING

- 23 Invoices written, calculated and totaled in one operation.
- 24 Invoices written, calculated, totaled and Cost Price (or Commission) figured at one operation.
- 25 Invoice written and calculated, Ledger and Statement posted with one handling of media.

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## Paging the new books



Reviews of the important  
books on business, to aid  
executives whose read-  
ing hours are limited.

### This month's business book

**COMMERCIAL CREDITS AND ACCOUNTS COLLECTION.** Cuthbert Greig. Sir Isaac Pitman & Sons, Ltd., London; Isaac Pitman & Sons, New York. \$3.00.

The close relationship between the fundamentals of handling credits in this country and other countries throughout the world has always been of great interest to those who have made a study of this subject, not only as a basis for developing better handling of export business in these markets, but also as a means of comparison between the fundamentals of credit checking here and abroad.

The science of credit checking has been greatly developed in the United States and we here often feel that we have little or nothing to learn from the practices engaged in by credit men in other countries. This book shows, however, that the credit background of all business in our modern sphere of economic development is fundamentally the same, and we in this country can learn many things of advantage by an analysis of the credit methods, particularly of some of the older Continental systems of business.

The book recently written by Mr. Greig is of interest to credit executives

in this country. The author is General Manager and Secretary of the International Association for the Promotion & Protection of Trade, Ltd., and a member of the Council of National Association Trade Protection Societies, as well as an editor, author and student of credit practices on an international basis. With headquarters in London, he is fully conversant with the credit background of British business and his frequent travels to the Continent give him a close working knowledge of Continental business. He also has visited Canada and the United States, and therefore is probably one of the best-qualified students of credits on an international basis.

In his new book, Mr. Greig deals with credit granting in its general application to trade, commerce and industry, and after surveying the fundamental considerations essential for proper handling of credit in order to build up the main background of credit—namely, confidence—he also summarizes the development and necessity for the place of the credit man in business. The underlying theme of the book is to stress the importance of proper credit practice and to apply this to various phases of business. His observations and conclusions are well worth-while for students of credit in any business community, and in addition he points out the particular application of credit to English practice.

After tracing the general background of credit policies, he again stresses that credit both wholesale and retail is an inherent quality of modern business, and therefore terms are the real defensible part of credit rather than the question of whether or not credit will be part of the transaction. He also makes the point that by continued education on the proper handling of credit terms, the due date can be stressed as the fixed termination of the transaction.

The Credit Sanction Department, as it is called in English business, is developed by the author as an aid in sales, and one of the most important departments in the sound, continued progress of any business. The author takes, as what he calls the basic line of credit, three main points to be considered by the "Sanction Officer". One,—does the customer desire to pay? two,—can the customer pay? and three,—what happens if the customer does not pay? The first of these two points can be analyzed to fit in with the three "C's" which we, in this country, consider as the basis

of credit, namely, Character, Capacity and Capital; and the third point is the development of what is sometimes referred to as the fourth "C", namely, Collection, and collection possibilities.

In the chapter on sources of information, stress is laid on the necessity of knowing the customer, and numerous examples point out the necessity of full information on this score. The author also makes valuable reference to various sources of information in English practice, and lays stress on the importance of registration information.

Mr. Greig in his chapter on Common Denominators gives some particularly valuable information to those who are not particularly familiar with British business set-up, pointing out the various responsibilities of partnerships, limited companies, private limited companies, etc. and also goes at some length into the liability of various partners and types of debtors such as agents, subcontractors and the possible recoveries from various fundamental types of debtor.

An interesting chapter is devoted to the position of the married woman as a debtor, and the problems arising from particular laws and dealings if the married woman is the recipient of credit. In the author's development of the Trade Promotion movement particular stress is laid upon the necessity for organization among credit grantors, and it is of particular interest to realize that the National Association of Trade Protection Societies in England dates back to 1847 and that cooperative movement among credit grantors has been practically going on in various groups and general organizations for nearly one hundred years.

Mr. Greig's comments on instalment selling practice in England, or what is known there as the Hire-Purchase arrangement, are particularly interesting as a corollary to the study of this important development throughout the world.

The book is filled with examples and illustrations which make it readable and interesting, and its twenty-one chapters include, in addition to subjects already commented upon, such items as Credit Insurance, Collections, Legal Procedure, Insolvencies and Overseas Credits. The author also includes three appendices which deal chiefly with the development of the Mutual Trade Protection Society movement. The book is well and entertainingly written, and contains many facts which are seldom brought to the attention of those who are not actually practicing the credit profession in Eng-



land and there are many valuable suggestions and comments.

Anyone interested in doing business under the British law and interested in the general development of credit methods and procedure will find Mr. Greig's book worthy of study.

W. S. SWINGLE

Hop, skip and jump tracing

**CREDIT CHEATERS.** By William Luftig. Business Information Service Bureau, 15 Park Row, N. Y. \$3.00.

If you have any interest at all in collections, you will have a corresponding interest in this volume with its analysis of "skips" and "skip" tracing. This is a valuable handbook because it lists all kinds of follow-up methods, sources of information, and kindred information. Typographically, it is wanting in accuracy; e.g. the author's name being mis-spelled on the title page. But the book itself is a necessary work.

P. H.

**To the credit man**

The bill is overdue, I know;  
'Tis wrong to tax your patience so.  
But taxes of another kind  
Of late have been much on my mind.  
Last month I hoped to send a check—  
Alas! My hopes all went to wreck.

Despite my very best intent,  
The tax on checks took my last cent.  
Each day demands are growing worse  
Upon my much-depleted purse;  
And every day, in every way  
I've got to pay and Pay and PAY!

These stories of financial woe  
Are nothing new to you, I know;  
But brighter days loom up ahead,  
When all our sorrows shall be sped.  
And troubles vanish, one by one  
Beneath prosperity's bright sun.

In just about ten days or more,  
I'll send a check to clear my score.  
That is, if some malicious fate  
My good resolve does not frustrate.  
And black misfortune raise its head  
To put me further in the red.

Apologizing for delay,  
I promise faithfully to pay.  
Please do not add me to the sheet,  
And put my name down as dead-beat.  
So thanking you to be so kind,  
I am, yours very truly, (signed.)

I. O. DOE in the  
Monthly Leather Bulletin



E. H. GARDNER

FRANK A. FALL

Now Ready:

## Effective Collection Methods

by E. H. Gardner, of Benton & Bowles,  
and Frank A. Fall, Past Director, National Institute  
of Credit, National Association of Credit Men

**T**HIS is no compilation of smart-aleck, one-time, high pressure schemes but instead a thorough, organized presentation of sound methods that collect money without cutting down sales or losing good will. **EFFECTIVE COLLECTION METHODS** is packed with ideas drawn from hundreds of successful companies—large and small, and in every line—which you can put to use in improving your collections. The acid test of practical experience under current conditions has been given to every method presented. The soundness of the principles underlying these methods has been proved by their ability to produce results—in some cases astounding results—wherever skilfully and energetically applied.

**F**ROM this new book you can obtain information to put to immediate and profitable use whether you wish merely to improve details of an already satisfactory system or to rebuild your collection procedure entirely. The methods described cover collecting accounts between business houses and personal debts from individuals; accounts where important sums of money are at stake and petty accounts of only a few dollars.

**E****EFFECTIVE Collection Methods** shows the practical application of the principle of resale in collections. It breaks the collection process down into six distinct stages and guides you to the most effective action at each stage. The psychology of the delinquent customer is analyzed and the use of various effective appeals illustrated by actual examples. Office system for collection departments is thoroughly covered.

The procedure of collection is fully treated. Actual collection policies and methods of every type of business are described and explained. Collecting by telephone and telegraph, instalment collecting, procedure in special types of businesses, and legal aspects of collecting are all included. Regardless of the nature of your collection problem, you will find in the pages of this book specific suggestions and ideas to help you get better results.

As a great proportion of collecting is done by

mail, exhaustive treatment is given to the management and psychology of collection correspondence. 265 complete letters are reproduced as well as hundreds of extracts, which show effective ways

of handling any situation with which you are likely to have to deal. In each case, sufficient explanation of the surrounding circumstances is given so that you can tell at a glance whether a similar letter is likely to prove effective in meeting your own requirements and what changes, if any, will need to be made.

"ONE of the letters found in this book brought in one hundred dollars (\$100) on the first old account it was sent out on."  
—J. H. Seymour, Asst. Treas., F. E. Powers Co., (Coal), Worcester, Mass.

"I DIDN'T have the book two weeks before it had paid for itself many times over."  
—H. S. Thomas, Pres. Thomas & Crabbe Baking Co., Bridgeport, Conn.

**A****LTHOUGH** it is only three months since it was published, hundreds of credit executives are already using **Effective Collection Methods**. So sure are we that you, too, will find it helpful that we will gladly send you a copy on trial—at our risk, without advance payment, and delivery charges prepaid—with the privilege of five-days examination before you need decide whether to buy it.

If you don't find it exactly what you have long been looking for, send it back without further obligation. Otherwise send us \$4.50 in full payment at the end of the five-day approval period. Just one account collected through the use of an idea gained from this book will repay you this small cost many times over. Fill in and mail the coupon—the book will be sent to you by return post.

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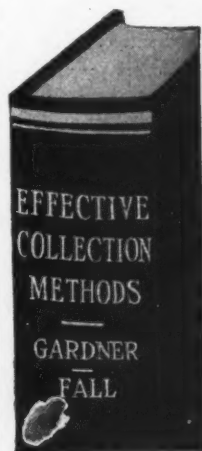
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# The high cost of veterans

by HON. ROBERT G. SIMMONS,  
Representative from Nebraska

In June the senior Senator from Virginia, Mr. Carter Glass, inserted in the *Congressional Record* a compilation of figures, showing that the United States now pays annually to the World War veterans a total of more than that paid to the veterans of Germany, France, Great Britain, Italy, and Canada combined.

Taking that set of figures as a basis, I asked the Veterans' Administration to compile the table printed here.

We are now paying annually to the veterans of the World War \$180.91 per capita, based on the total mobilized forces during the war period. Compare that with the figures, and you find that Germany pays \$22.98; France pays \$34.09; Great Britain, \$26.49; Italy, \$12.44; and Canada, \$98.64.

Now, take the other figures, and we are annually paying \$2,668.66 per capita, based on the number of those killed and wounded during the war. Of course, they alone are not the beneficiaries of those payments. Germany pays \$48.87; France, \$50.99; Great Britain, \$58.27; Italy, \$43.74; and Canada, \$263.41. Those figures are based upon our battle casualties.

Canada is the highest, and it pays only 10 per cent per capita of what is paid by the United States.

Total per capita payments to veterans of all nations since the war are now available. Based on the total men mobilized, the United States has paid her veterans of the World War, \$1,107.14, while Canada has paid over \$1,533.16. But based on the number of men dead and wounded, the United States has paid over \$16,331.79 per capita since the war, as against Canada's payment of \$4,094.03. The United States figures used here and in the table do not include any part of the loans on the adjusted-compensation certificates.

Demagogues on the floor of the House and elsewhere have repeatedly told the veteran he is not being well treated, that the government owes him money, and

that he should have it. Here are the figures, authenticated, based on facts, that our government now is doing more for its veterans than all of the nations named in that list combined.

*Comparative statement of annual expenditures for fiscal year 1932 by United States and foreign countries for World War veterans and their dependents.*

	Men mobilized	Dead and wounded	This year's relief bill	Annual per capita based on men mobilized	Annual per capita based on dead and wounded
United States . . .	4,757,240	322,497	<sup>1</sup> \$860,635,000	\$180.91	\$2,668.66
Germany . . . . .	13,000,000	6,111,862	298,690,000	22.98	48.87
France . . . . .	8,410,000	5,623,000	286,722,000	34.09	50.99
Great Britain . . .	6,600,000	3,000,000	174,802,060	26.49	58.27
Italy . . . . .	5,615,000	1,597,000	69,853,300	12.44	43.74
Canada . . . . .	619,636	232,045	61,123,000	98.64	263.41
Total for foreign countries	34,244,636	16,563,907	891,190,360	26.02	53.80

<sup>1</sup> That portion of Veterans' Administration appropriations made applicable to World War veterans for fiscal year 1932.

## by The National Economy League

In the face of the most severe depression in history, the United States has adopted one of the largest peace-time budgets. The road to recovery and the resumption of employment, however, is not through more taxes, but only through severe cuts in non-essential current costs. Where can we cut first?

The federal budget has five main divisions. Public Debt, Veterans, Army and Navy, and Public Works, cover 83% of the total. The fifth division or 17% represents all other activities of the government. Although great attention is being given by the government itself to possible savings in these administrative costs, any further reduction that can be made at this time would be relatively small in contrast to the total sum involved. Let us examine the four other items:

Public Debt.—\$1,136,700,000. About \$640,000,000 is for interest and \$496,700,000 is for sinking fund operations under statutory provisions.

Army and Navy.—\$648,300,000. This will be spent for the country's defence, admittedly reduced to the lowest possible point consistent with national safety unless disarmament is accomplished by international agreement.

Public Works.—\$338,100,000. Expenditures under this head may well be subject to a reduction, but they are at this time an important

contribution of the government to relief of unemployment.

Veterans' Administration.—\$928,000,000. This represents almost a quarter of the total. In the last five years World War costs have greatly increased until they threaten by 1945 to equal the cost of the war itself.

Obviously, therefore, any serious consideration of important federal economy invites analysis of expenditures by the Veterans' Administration. \$376,000,000 pays the pensions of all wars prior to 1898, and pensions of the regular army and navy. It also includes compensation and benefits for deaths and disabilities incurred in line of duty in the war with Spain and the World War. \$100,000,000 is a reserve fund for bonus loans.

\$452,000,000 is for payments and benefits for deaths and disabilities not actually incurred in line of duty, to Spanish and World War Veterans and dependents. This vast expenditure is unjustified and its elimination would reduce the veterans' cost by one half.

## The Federal Budget

(Year Ending June 30th, 1933)

Public Debt . . . . .	\$1,136,700,000	28.9%
Veterans . . . . .	928,000,000	23.7%
Administration . . . . .	678,098,000	17.2%
Army and Navy . . . . .	648,300,000	16.5%
Public Works . . . . .	338,100,000	13.7%
Total . . . . .	\$3,929,198,000	



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*When writing to Household Finance Corporation, please mention Credit & Financial Management*





# Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

**Millions in  
group benefits**

Purchasing power to the amount of more than \$89,000,000 will be provided this year to 51,000 American families as a result of benefits payable under plans of group life insurance in effect among 32,000 business establishments. These facts are made known by B. A. Page, vice-president of the Travelers Insurance Company, which has just analyzed the experience of all companies writing such protection in this country.

Although the total amount of benefits payable this year is less than last year, because of the decrease in the total amount of group life insurance in force, the average payment of \$1,700 exceeds last year's.

Benefits as a result of death by disease of 34,800 employees are placed at nearly \$61,000,000. Benefits because of the death of 5,700 employees by accident will total more than \$10,000,000, and more than \$18,000,000 will be paid to 10,500 employees who have suffered permanent total disabilities.

More than half a billion dollars in benefits under group life insurance have been provided families in this country since the inception of the protection. This amount is divided on the basis of more than \$396,000,000 as benefits to the families of 271,000 employees who died from disease; \$62,000,000 because of the death by accident of more than

42,000 employees, and more than \$77,000,000 as benefits to more than 50,000 employees who have suffered permanent total disabilities.

The total amount of group life insurance in force is estimated at nearly \$10,000,000,000 and the number of employees included in this amount is placed at 5,600,000.

The tremendous growth of group life insurance is well indicated by a glance at the data released this week by the Bureau of Labor Statistics, Department of Labor. From 1926 to the close of 1931 the amount in force increased from \$5,425,987,000 to about \$10,000,000,000, or about 84%. The increase in the number of employers taking this means of protecting their employees in the five year period amounted to 171%. The number of master policies in effect jumped from 14,000 to 38,000, approximately.

The number of employees protected by the insurance in 1931 was more than 6,500,000, an increase of about 2,000,000 over the number covered five years before. The insurance per employee averages \$1,200 in the earlier year and about \$1,540 in 1931. This increase in the average amount is due to three factors:

The provision in many plans that the amount of insurance per employee shall increase with years of service; the increase in the number of contributory plans, which allow larger amounts of insurance than the employer alone was able to afford; and an increase in the maximum amount allowed any one employee by the insurance company.

The excellent showing of group life insurance during the depression is due in part to its popularity and to the reluctance of both employer and employee to give it up. Workmen's compensation premiums, based directly on the size of the pay rolls, have shown an estimated shrinkage of 25%, however.

It is said that probably the chief factor in the favorable position of group insurance as compared with workmen's compensation is the present system of staggering employment in order to furnish a maximum amount of employment at shorter hours instead of laying off large numbers and furnishing nearer full-time employment to a smaller number.

Because of the fact that under this system of staggered employment a large number are retained on the roll, even at reduced wages, it is possible to continue the group insurance at the full face

amount. The insurance is often continued under these circumstances in cases in which the entire premium is paid by the employer or in which there is a temporary shutdown of the plant. This serves to protect the employees and helps to keep the organization together during the period of the shutdown.

Decided changes have been noted in the mortality and morbidity experience in group insurance. Reports available for leading companies which carry 75% of this type of insurance show that the ratio of actual to expected deaths increased from 92% to 96% in the period of 1926 to 1930. A much greater increase occurred, however, in the claims for total and permanent disability.

## Erratum

Through an unfortunate oversight, CREDIT AND FINANCIAL MANAGEMENT last month credited the article "Bond to win!" to Mr. Thomas J. Savage as of the Royal Indemnity Co. of New York. It should have read, Globe Indemnity Co. We wish to take this means to correct the error and express our apologies to both Mr. Savage and The Globe Indemnity Co.

## 3,000 gain group life protection

Group life insurance totalling \$4,500,000 has been provided for 3,000 employees of the American Brake Shoe and Foundry Company and twelve subsidiaries and affiliates, according to an announcement by William B. Given, Jr., president of the parent company. He further stated that through a contract with the Equitable Life Assurance Society, which has underwritten the insurance plan, the company and the insured employees will share the expense of the protection.

Employees in fifty-five plants and offices throughout the country are covered by the insurance. Amounts for individuals will range from \$1,000 to \$10,000 in accordance with annual earnings.

The subsidiaries and affiliates whose employees are protected by the insurance are the American Brake Materials Corporation, American Brake Shoe and Foundry Company of California, American Forge Company, American Malleables Company, American Manganese Steel Company, Canadian Ramapo Iron Works, Ltd., Dominion Brake Shoe Company, Ltd., Magnetic Signal Company, National Bearing Metals Corporation, Racor Pacific Frog and Switch Company, Ramapo Ajax Corporation, and Southern Wheel Company.



# *There's a difference in* **INSURANCE POLICIES**

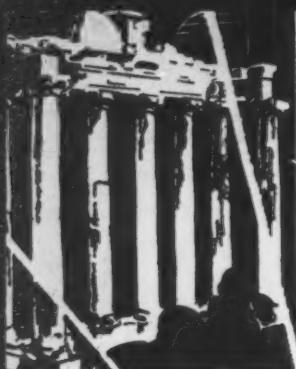
*but* how can the value be determined? » Price for the most part is standardized. Certain rates hold for certain specified protections. Then the value to the prospective policyholder must lie in the quality and service of the protection that is offered him. » This resolves itself first, into the reputation of the local agent who will negotiate the insurance and next, the reputation of the company which will furnish the protection. » Agents of "The Home of New York" can build a local as well as a company reputation. The highly developed loss and engineering services in conjunction with the established financial standing of the company offer an unexcelled quality of protection. » It is a decided asset to be insured with "The Home", a company which has served the public well for over seventy-nine years.



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## Accounting forum

An open clearing-house of ideas and news for credit executives by accountants.

### Business failures

by HERRMANN HERSKOWITZ,  
C. P. A., New York, N. Y.

The ruling powers of ancient Rome took legal cognizance of the hard-pressed debtor. The insolvent debtor of his own accord could transfer the whole of his estate for the benefit of creditors (*cessio bonorum*). If an act of bankruptcy was committed, the creditors might demand such transfer. Voluntary bankruptcy, if justifiable, was encouraged. The bankrupt in this way avoided execution against his person and escaped legal infamy. A complete discharge was not accorded to the debtor. An involuntary bankrupt subjected himself to both civil and criminal liability.

The severity of ancient bankruptcy laws has been lightened, due no doubt to the desire of effecting a more elastic business structure. With all the advantages of painful experiences and a greater dissemination of the knowledge of business, failures are still a recurring phenomena. It is staggering to realize that for the period 1857 to 1931 over 828,000 business establishments have failed. The total liabilities of these concerns amounted to close to sixteen billion dollars, or nearly enough to wipe out our present national debt.

This appalling economic loss has been the motivating force in directing attempts to determine the causes of business failures. The Bradstreet Company has published for many years failure statistics. Bradstreet's definition of a business failure is that, "it must involve some loss to creditors of indi-

viduals, firms or corporations engaged in ordinary commercial operations."

The personal element is stressed by Bradstreet's in their division of the causes of failure into two groups:

#### A.—Due to faults of those failing.

1. Incompetence (irrespective of other causes).
2. Inexperience (without other incompetence).
3. Lack of capital.
4. Unwise credits.
5. Speculation (outside regular business).
6. Neglect of business (due to doubtful habits).
7. Personal extravagance.
8. Fraudulent disposition of property.

#### B.—Not due to faults of those failing.

1. Specific conditions (disaster, war, floods, trade depression, etc.)
2. Failures of others (of apparently solvent debtors).
3. Competition.

The percentages of the number of failures in the United States for the year 1931, classified as to causes, are interesting and illuminating: (As compiled by Bradstreet's).

Failure due to:	Number
Incompetence	21.7%
Inexperience	4.8
Lack of capital	31.5
Unwise credits	1.7
Failures of others	2.3
Extravagance	.4
Neglect	.5
Competition	2.3
Specific conditions	33.9
Speculation	.1
Fraud	.8
	<hr/> 100% <hr/>

A closer examination of the figures reveals the fact that competition plays a minor part in business plagues. This is in contradistinction to crystallized opinion, which holds that the condition of too many in business leads to ultimate failure. In support of the soundness of Bradstreet's competition factor, the following figures are offered:

Year	Population	Number of Business Establishments (Compiled by R. G. Dun & Co.)	Per Cent to Population
1870	38,558,371	427,230	1.11
1880	50,155,783	746,823	1.49
1890	62,947,714	1,110,590	1.76
1900	75,994,575	1,174,300	1.55
1910	91,972,266	1,515,143	1.66
1920	105,710,620	1,821,409	1.72
1930	122,775,046	2,183,008	1.78

While there were at the end of 1930 twice as many business establishments as in 1890, it must be remembered that the population for the same period doubled itself. It may be true that the financial strength and productive powers of business establishments today are greater, nevertheless, from the viewpoint of numbers, the percentage to the total population in 1890 was 1.76 as against 1.78 in 1930.

Eliminating personal causes, one is impressed by the close relationship existing between the extraneous factors. Is not there an underlying and all powerful organic economic disease making for unwise credits, incompetence, lack of capital, failures of others, competition and specific conditions?

When prices of commodities advance, the majority of merchants participate in the resulting profits. The more enterprising, reckless and speculative pyramid with the result that book profits keep mounting. When prices recede all except the very nimble are caught in the storm. Continuing declines aggravate the business firmament and all merchants carrying inventories suffer. With prices in a constant state of flux, how can the failure germ be isolated?

Is it possible to definitely prescribe and state that a certain percentage is due to incompetence, inexperience, lack of capital or other causes? It is undeniably true that the personal element or sound management is an essential ingredient of success. But, when crude rubber declined from a dollar a pound to four cents, losses were inevitable, the personal element notwithstanding. Inexperience, extravagance, neglect, speculation and fraud are the inherent characteristics of some merchants. To wholly attribute failures, however, to unwise credits, incompetence and lack of capital as faults of the failing is fallacious. The extension of credit becomes unwise when the debtor cannot pay. Why is he unable to pay? The transformation from ability to incompetence is accomplished when profits turn to losses. Sufficient capital becomes insufficient, when inventory valuations are cut in half.

Turning to the non-personal causes, we find that specific conditions as defined by Bradstreet's means disaster, war, floods, trade depression and unseasonable weather. Outside of the acts of God, the greatest percentage in this delineation is depression, which is another name for falling commodity prices. Failures of others and competition are brought about by the same



condition. Employing the causes defined by Bradstreet's and using their figures, a regrouping into basic causes, results in the following:

	Percentage number of failures 1931
<b>A. Failures due to purely personal causes</b>	
Inexperience	4.8%
Extravagance	.4
Neglect	.5
Speculation	.1
Fraud	.8
	<hr/> 6.6%
<b>B. Other personal causes</b>	
Unwise credits (1/3 of 1.7%)	.6
Incompetence (1/3 of 21.7%)	7.2
Lack of capital (1/3 of 31.5%)	10.5
	<hr/> 18.3%
<b>C. Acts of God</b>	
Specific conditions (20% of 33.9)	6.8%
	<hr/>
Total due to purely personal causes and acts of God	<hr/> 31.7%
<b>D. Failures due to falling commodity prices</b>	
Unwise credits (2/3 of 1.7%)	1.1%
Incompetence (2/3 of 21.7%)	14.5
Lack of capital (2/3 of 31.5%)	21.0
Failures of others	2.3
Competition	2.3
Specific conditions (80% of 33.9%)	27.1
	<hr/> 68.3%

The segregation of unwise credits, incompetence and lack of capital under personal causes and falling commodity prices is reasonable. While the mathematical division employed is arbitrary, it must be remembered that declining prices accelerate failures, convert profits into losses and cause a shrinkage of capital.

Summarizing the results obtained, we find that the main causes of failures are due to:

	Percentage of number of Failures
Purely personal causes	24.9%

Acts of God	6.8%
Falling commodity prices	68.3%
	<hr/> 100.00%

In other words, sixty-eight out of every hundred failures can be charged to that paradox of the economic structure, the cyclical inevitable decline in commodity prices.

If the conclusion reached is sound, a survey of commodity prices and business failures should show a close relationship. An examination of figures compiled by R. G. Dun & Co., for the period 1861 to 1931 sheds some interesting light on the subject. The Index Number used by R. G. Dun & Co., is a fair approximation of prevailing commodity prices. As explained in the booklet "Commodity Prices," the index number "has the scientific foundation of a proper regard for the relative importance of each of the many articles in its compilation. By adopting a per capita consumption basis in computing the Index Number no single commodity has relatively more than its proper weight in the aggregate; wide fluctuations, therefore, in an article little used do not materially affect the total, whereas changes in the great staples have a larger bearing on the general result."

Beginning with the Civil War in 1861, we find that Dun's Index was \$101.920 and the number of failures that year amounted to 6,993. For the next four years, business eliminations totalled 3,197 while the index in 1865 jumped to \$194,436.

With the ending of the Civil War, prices declined and the number of failures kept advancing. From a high of \$188.524, in 1867, the index declined to \$143.089 in 1873. Beginning with 2,780 failures in 1867, the number of unfortunates showed consistent increases until it reached the figure of 5,183 in 1873.

After the panic year of 1873, depression reigned until the last quarter of 1878. Low prices were the rule for most of the staples. Dun's Index declined to \$96,268 in 1878 and the number of failures reached 10,478 in 1878. In 1879, business activity increased. Commodity prices rose and with enormous crops at higher prices as a lifting force, a period of prosperity set in. The number of failures that year fell to 1,658.

Speculation and corners in commodities in 1880 made for subsequent falling

prices. Towards the latter part of 1882, prices declined and this condition continued until 1886. A comparison of the number of failures and Dun's Index follows:

Year	Number of Failures	Dun's Index
1882	6,738	\$123.230
1883	9,184	107.248
1884	10,968	99.706
1885	10,637	90.697
1886	9,834	89.226

In 1887 slightly higher prices made for a reduction in failures of 200. Beginning with 1888, the number of failures increased and in the panic year of 1893 rose to 15,242. In the meantime, Dun's Index had declined to \$90,613. From 1894 to the end of 1898, prices again were lower and the number of failures in 1898 reached 12,186. The next year witnessed large crops and good prices and the number of failures declined to 9,337.

From 1900 to the end of 1906 the average failures per year amounted to 11,409. The beginning of the panic in 1907 in the autumn, and its extension in 1908 made for stagnation in industry and trade. As commodities showed sharp declines failures rose and in 1908 reached 15,690.

In 1909, a revival set in with cotton and wheat prices at record heights. Dun's Index jumped to \$119,021, and failures declined to 12,924. The next four years showed successive increases in the failures culminating in the record total of 18,280 in 1914. The World War compelled the closing of the Stock Exchange from July to December. The decline in foreign trade and falling commodity prices caused a severe depression.

In 1915 business was on the upgrade, beginning in industries manufacturing war materials. War prosperity did not permeate the entire business field and failures amounted to 22,156. Increasing activity and rapidly advancing prices caused a slackening of fatalities as evidenced by the following figures:

Year	Number of Failures	Dun's Index
1916	16,993	\$145.142
1917	13,855	211.950
1918	9,982	232.575
1919	6,451	233.707

With the ending of the war, deflation set in and once again business suffered. The total failures in 1921 and 1922 were nearly as great as in the period 1916 to 1919. For the next seven years commodity prices were artificially stabilized through attempts at monop-



listic control. Rubber, sugar, coffee and other commodities were buoyed up by means of governmental edicts. Installment selling, speculation in real estate and securities, exports for reconstruction work all aided in maintaining fairly constant conditions.

The bursting of the dams of speculation in 1929, and the breaking down of price stimulants caused a break in commodities. The total failures in 1930 amounted to 26,355. In 1931, prices showed further declines, and the number of failures increased to 28,285, the greatest in the history of our country.

Commodity prices overshadow and determine to a great extent the success or failure of business enterprise. gyrations in values must be tempered. Some degree of stabilization in industry must be effected so that the peaks of inflation will be lowered and the valleys of deflation raised. When fluctuations of commodity prices are appreciably reduced, then the number of business failures will be gradually lessened.

—Reprinted from "The  
Certified Public Accountant."

## The business thermometer

(Cont. fr. p. 7) impossible rapidly to restrict or increase production, owing to the fact that several years must elapse after the trees are planted before they come to maturity. The yields that are now being secured are largely the result of policies adopted at a time when very different conditions prevailed. In addition, the re-entry of Russia into the wheat export markets in 1930 and 1931 tended to check any marked reduction in total supplies, whilst the protection afforded by various countries to their agricultural interests through tariffs and similar measures has prevented curtailment of production, which otherwise would, in all probability, have taken place.

Moreover, so long as the various pooling arrangements and other devices adopted with the object of maintaining prices held out prospects of success, they served to stimulate rather than to reduce supplies and the failure which has eventually attended most of these schemes, whilst accentuating the fall in quotations, has not been immediately effective in checking production.

## Out of the jungle

(Continued from page 11) losses through business incapacity, lack of capital, inexperience, or dishonesty. Why save the building and ignore the thing that made the building necessary.

Business service, operating through bureaus sponsored by commercial organizations, should be available to throw its forces of business experts, of trained investigators, of guidance and relief against the conflagration of commercial distress.

Life insurance companies have for the past few years realized that in prolonging the lives of their policy holders, they are not only reducing claims, but in requiring compulsory yearly medical examinations advice is being fostered which will beneficially affect people as a whole. In the business atmosphere, the same practical application might be made. Through business service, commercial structures may be scrutinized and their lives prolonged with greater profit.

In one of our large Pacific coast cities there are guilds of women, operating with liberal capital, carrying out various projects of child welfare, of which the orthopedic is an outstanding example. Here thousands of women have banded together to see that the child physically handicapped through birth or accident is properly fitted for the battle of life. The returns that this work has won in the coin of human happiness is incalculable; its economic yield, in salvaging of broken bodies for social usefulness, must be staggering.

The orthopedic interest may also be carried over into the field of commerce, where crippled and infant enterprises might be given aid and protection to better equip them to continue a beneficial existence. Innumerable similar parallels might be suggested. Today business interest is coextensive with social interest. The day is here for realization of the vast importance of group action toward them both.

Business service, enlightened selfishness tempered with an altruistic spirit, presents a device of tremendous potentialities, a group device directed toward economic welfare and a more perfect civilization.

The man who has to prove that he's broke probably isn't.

WILLIAM FEATHER

## Checking the fire waste

(Continued from page 13) Association of Credit Men can be of inestimable value in strengthening the operations of the National Fire Protection Association, a body like your own, maintained for service not profit. We suggest that the local credit men's associations investigate the N. F. P. A. field engineering service and estimate its value to their own cities in stopping at the source a waste that is steadily sapping the financial blood of the entire nation.

## The new competition

(Cont. from page 15) a census of the retail grocery trade was taken and we found that 19¾% of the men in the retail grocery business enjoyed a volume of sales of less than \$5,000.00 annually; 17.32% between \$5,000 and \$10,000; 29.99% between \$10,000 and \$25,000.

Approximately 67% of the men in the retail grocery business in the city of Louisville do not do enough business to warrant a wholesaler serving them.

The Louisville Grocery Survey disclosed the fact that if the customers in the city of Louisville were divided equally among all retail grocers, including both chains and independents, each retail outlet would have fifty-one customers. Many grocers right now in Louisville have better than five hundred accounts. One then is caused to gasp at the small number of accounts some grocers are attempting to serve and remain in business.

The Louisville Grocery Survey was the first attempt to apply scientific research to the food industry. Every phase of grocery distribution has been gone into.

Results so far have indicated that the retail grocer is doomed to failure unless he keeps an adequate set of records which will tell him at all times just which way he is headed. Again the Louisville Association has attempted to anticipate this need and has compiled a standard set of records for the use of retail grocers that will require only about 20 to 30 minutes a day to keep them up. I believe I can say without fear of contradiction that any retail grocer who will keep an accurate set of records of his business over a period of three months will either be making money or he will get out of business because his records will show him where he is heading.

I cannot emphasize too strongly the



need of research if we are to solve the problems of distribution which are confronting us today. Business without research is a ship without a rudder. Research simply means looking into things and doing some honest-to-goodness thinking. So sold on the idea of careful thinking was Thomas Edison that he refused to undergo an operation that would restore his hearing because he said that noises interfered with his thinking. We must study distribution. We must apply research to our business whereby the spotlight can be thrown on all of our activities and thereby make a diagnosis that will tell us what to do. Thinkers in all business are raising the very devil with our business. We must enlist the aid of these thinkers if we expect to succeed. We must be like the Scotchman who said, "If you can't beat 'em, join 'em."

Somebody asked a scientist if a child could inherit his father's wooden leg. He said, "No, but he can inherit his wooden head."

The third form of this new competition that we must face is untruthful advertising. No one fears honest advertising. In fact, we commend it. But some of the methods employed in advertising are so grossly misstated that they make old Ananias look like a piker. Do you believe that by using a certain oil it will restore hair on a bald head? By the use of a certain brand of soap do you think you can maintain that school girl complexion? How can advertisers make certain claims about mahogany from the Philippines when there is no mahogany grown in the Philippines? \$300.00 platinum rings have been found by test to only contain platinum valued at \$1.00.

The public is fleeced out of fifteen million dollars annually through short weights in gasoline. It is estimated that 100 million pounds of bread is sold annually at short weight. The advertising ballyhooer has even tried to appeal to our sentimental side. Mother's Day was invented for the florist and Father's Day for the haberdasher. The next thing I suppose will be a Suicide Day for undertakers!

Disinfectant that costs \$2.00 and containing mostly water sells at \$62.00 a barrel. A \$60.00 fur coat is sold for \$600.00.

You do not have to take my word for these flagrant violations of truth in advertising. You have but to read the book called "Getting Your Money's Worth," by Stuart Chase and F. J. Schlink. I am not fully in accord with

some of the remedies they suggest in the book but the claims they have exposed as false are undoubtedly true.

Let us analyze for a moment some of the chain store advertising and see what we find. I have seen ads in the daily papers, especially those of chain grocery stores, where claims are made to the effect that a 30 to 40% saving could be made under the individuals prices. Figures have been presented in their copy to substantiate these facts. Now I happen to know that there has never been a study made by any agency in regard to chain and individual grocery store prices save one that study was made by Dr. R. S. Alexander for the New York Journal of Commerce. Then, that study was not complete. Fifty well known standard items were studied and Dr. Alexander found that the fifty items cost \$14.30 in the individual stores while the same items cost \$14.99 in the chain store—a clear saving on the fifty items of 69c in the individual store. Paper and pencil will show that by reducing this to percentage there is 4.6% saving in favor of the independent, yet for some unknown reason Dr. Alexander figures the same purchases in a different way and by the different calculation shows a saving of 2.64% in favor of the chain.

Let us grant for a moment that the latter figure is correct and that there is a saving for the consumer, if they purchase their groceries from a chain store, of 2.64%. But to make figuring easy let us just say 3%. What does the consumer have to do to save this 3%. Those of us in the grocery business realize the fact that the average grocery bill is approximately \$40.00 monthly. 3% saving would mean \$1.20. In order for Mrs. Housewife to save this \$1.20 she must make twenty-six trips to the chain cash and carry store, must consume eight hours of her time and carry 200 lbs. of merchandise. In the first place an ordinary laborer makes more than \$1.20 for eight hours work. The numerous other inconveniences I will leave to your imagination. I am convinced that if the American housewife were told the truth, by even granting a 3% saving which does not exist, she would not be content to make a truck horse out of herself for this paltry sum.

These are the facts we must get over to the public and this can only be done through publicity. The purchase of advertising space in newspapers is out of the question if we attempt to do it individually, but collectively it can be done and for a very (Cont. on page 38)

## Multiply results with personal letters

You know that personal letters get to you. It must follow that they get to other business men too. Why not, then, use them on your prospects and customers—in quantities, and multiply results. The cost is not too high if you use the Auto-typist.\* Let us tell you how one girl with an Auto-Typist at her elbow, and still doing other work, can turn out individually typewritten letters at a cost of one cent each.

Test the idea of using more personal letters, economically, through our rental plan by which rentals may be applied to the purchase.

**American Automatic Typewriter Co.**

608 North Carpenter Street, Chicago, Ill.



\* The Auto-typist is a pneumatically operated typewriter that types repetitive letters, individually, at a speed of 300 a day and requires but a small part of a typist's time for filling in names and special data.





## In the modern office

**An idea and experience exchange on equipment, system and management in the modern credit and business office.**

### **Business show exhibits varied**

The displays of several of the largest exhibitors at the twenty-ninth annual National Business Show which took place in Grand Central Palace during the week of October 17th were described for us by Frank E. Tupper, managing director of the show.

"Manufacturers during the past year have spent millions in research and development," said Mr. Tupper, "in order to offer products to counterbalance the effects of the depression. The office equipment industry, however, has already shown an encouraging trend, but we expect this trend to be stimulated by the new models and refinements which were brought out at the show."

International Business Machines Corporation, said Mr. Tupper, displayed about 15 new models of business equipment at the show. In addition, the company also had on view some 50 other models of its standard equipment, most of which have been brought out in the past few years and have already been equipped with refinements.

The new models, shown for the first time at a business show by the company, comprised the latest types of electric tabulating and accounting equipment, new time recording equipment, retail scales that enable the customer to read both the weight and price of purchases, and industrial weighing equipment.

Eight new models of International tabulating machine equipment were shown. About 25 models of this type

of equipment in all were on display to permit the public to visualize how the ordinarily complicated accounting and statistical work of modern business and governmental organizations are accomplished in simple fashion.

Outstanding among the new tabulating machine equipment shown are the company's automatic multiplying punch and its alphabetical printing tabulator. The latter prints both alphabetical and numerical data on business forms such as bills, invoices and sales records. Previous I. B. M. accounting and tabulating machine equipment had been capable of printing figures only, descriptive matter having to be added on a typewriter.

The automatic multiplying punch multiplies almost instantaneously any two amounts or factors punched in tabulating cards, and records the product by punching it into the card from which the multipliers were taken. The speed of this new machine ranges from 720 multiplications per hour for 8-digit multipliers up to 1,200 per hour for 3-digit multipliers.

The other new models in the tabulating machine line to make their first appearance at the Business Show are the check writing interpreter, unit control equipment, the counting sorter, the public utility bill feed, and a new alphabetical punch to be used in connection with the alphabetical tabulator.

A further addition to the tabulating machine line displayed is the Cosmograph. The function of this device is to picturize the facts of business for executives without the necessity of having skilled personnel to compute and plot graphical measurements and other data.

In the Time Recording Division of International Business Machines Corporation, new models exhibited include an electric job time recorder for small businesses, an autograph time register requiring the signature of incoming and outgoing employees, fire alarm systems, and watchman's clock installations. The company's new recording door lock for the important entrances of business establishments, the "Recordolock", was featured at the Show.

### **Telephone developments**

The New York Telephone Company again exhibited a number of the outstanding features of its service, giving special emphasis to flexibility, economy, speed at the Show.

This year the latest features of teletypewriter service formed a principal part of the Telephone Company's exhibit. The teletypewriter permits instant written communication within and between business organizations, and by its speed, makes possible important economies and improvements in service. It aids the decentralization of business, so that offices and factories may be placed more logically according to markets, raw material, labor supply, power, and transportation facilities.

The need for flexible telephone service within smaller business establishments, offices and shops has led to the development of a small interior dial system which permits intercommunicating, and a fast, flexible service, both inside and outside these smaller organizations. This system is adapted to a wide range of businesses—to law offices, real estate offices, advertising agencies, small factories, printing plants, lumber yards, and many other establishments.

For still smaller organizations or units of an organization, telephone wiring plans have been developed. These wiring plans offer many of the advantages of a private branch exchange to the user whose needs are not great enough to justify more elaborate equipment.

### **The "Every Day File"**

The "Every Day File," made by the Globe-Wernicke Company, Cincinnati, Ohio, is built to stand the constant handling of every day use. Both the front and back covers are covered with high quality closely woven vellum. The leaves are made of a high grade of tagboard. For reinforcement the back of each compartment is covered with vellum, and likewise the tagboard index tabs.

### **More erasures per pencil**

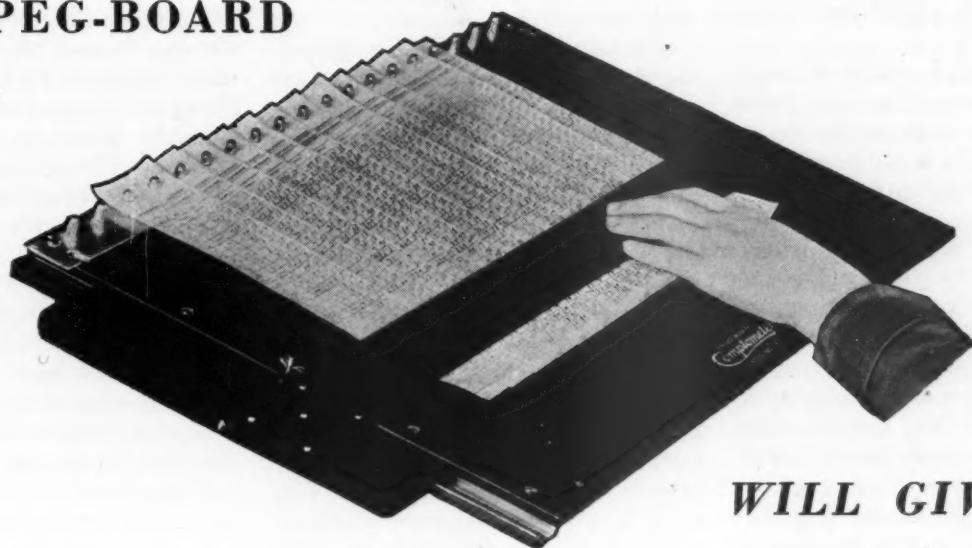
M. A. West, Portland, Oregon, recently received a patent on a new type of pencil eraser. The eraser is especially designed to last as long as the average pencil. It is a full inch long and is placed on the pencil encased in a sleeve with a thread attached so that by a slight turn of the sleeve or the pencil, the eraser will be forced out as needed.

### **"How're your spares?"**

The Rite-Rite four inch lead pencil which propels and repels and has a spare lead chamber, is being offered by the Rite-Rite Manufacturing Company, Chicago, Ill. It has what is known as an unbreakable composition barrel with a chamber for four-inch leads.



## THIS PEG-BOARD



WILL GIVE YOU

» quicker figures » cheaper figures  
» more complete figures

EXECUTIVES in many fields of business are turning to our *Distribution Peg-Board Method*, used with the Comptometer, for better results on sales analyses, cost figures, time-keeping routines and other types of accounting work. The reasons are:

**Quicker figures!** The Distribution Peg-Board produces information when it is wanted . . . in time for quick action. A nationally known instrument company in New York formerly waited until the 15th or 20th of each month for cost and sales figures of the previous month. Now they get necessary statistics daily. A Southern California baking company reports that the Distribution Peg-Board gives them figures on production and distribution, costs and inventories, and other information, in 50% less time than their former method.

**Cheaper figures!** The Distribution Peg-Board Method has successfully

replaced more expensive systems in companies throughout the country. A large Middle-Western glass company saved about  $\frac{1}{3}$  on the cost of payroll distribution by using our system . . . and accomplished more work. An office outfitter in the South made a saving of \$5000 annually, part of which was in clerical help.

**More complete figures!** With less expenditure in time and money, more information may be gathered. Using the Comptometer—Peg-Board combination, a branch factory of a stationery company now furnishes its headquarters with weekly statistics . . . impossible under former methods, except at great inconvenience and expense.

Let our representative explain the Comptometer and Distribution Peg-Board Method in detail. Let him tell you how

it achieves speed and economy by getting *final* results from *original* figures without recopying. If he thinks he can show you a worthwhile saving, give him a chance to prove it by actual test. Telephone your local Comptometer office, or write direct to us. Felt & Tarrant Mfg. Co., 1717 N. Paulina Street, Chicago, Illinois.



THE COMPTOMETER  
Made only by Felt & Tarrant

# COMPTOMETER

(TRADE MARK)

A U T O M A T I C  
A C C U R A C Y

When writing to Felt & Tarrant Mfg. Co., please mention Credit & Financial Management



## The new competition

(Cont. from page 35) small sum to each person.

These same fundamental facts can be applied to other lines of business. Boiled down to what we must do for the individual collectively, it can be expressed in two words "Research and Advertising." As stated many times before, research work and publicity are beyond our pale individually. It would cost us too much to carry on these activities as individual firms but the cost would be very little if done on a collective basis.

Trade Associations are the ones to do these two things. The day has come that you as individuals must support your trade bodies.

Mergers are in the air and they will continue. In order to meet merged activities we ourselves must pool our efforts. No, we do not have to merge our business but we can coordinate our efforts through a strong trade association.

I honestly believe that the day will come when a banker will ask the applicant of a loan, "Are you or are you not a member of your trade association?"

In other words they will want to know if the applicant is trying to operate alone in this age of intensive competition or if he is enlisting the aid of his co-partners in business.

Policies that were ethical in pioneering times are obsolete today. They can only be eliminated by a group program or group action. The new competition as I see it has pitted industry against industry and community against community.

I believe that Roosevelt was right when he said, "A man owes something to his trade or profession, not only a dole in the form of dues but something of his best thought and inspiration."

With business and its present complexities no man can stand alone. That great emancipator Abraham Lincoln back in 1858 said these words of wisdom, "If we could first know where we are and whither we are tending we could best judge what to do and how to do it."

Research will tell us where we are and whither we are tending and then our common sense will tell us how and what to do.

## Collection sales survey

(Continued from page 23)

action of the U. S. Agricultural Department in amortizing 75% of agricultural loans will help materially. Manufacturers in smaller industrial centers throughout the State are receiving an increased volume of business. Sales in most lines show relief from the summer stagnation.

**NEW YORK:** Collections in New York are good and sales are fair. There is a steady, though slow, revival of business apparent and buying is increasing.

**NORTH CAROLINA:** The following report was obtained from Charlotte: The tobacco market in Eastern South Carolina has been open now for some time and as this commodity is bringing a very good price, this has helped conditions in that section somewhat, but general improvement that we expect as a result of better prices, in our opinion, will not be noticeable to a great extent until next month, as we understand the Federal Government has been collecting on farm loans, which has been taking the most of money realized from early sales. But the continued good prices for tobacco and cotton, we believe, will bring about more activity in both sales and collections, as the farmers gradually reach the point

where they will be able to put the proceeds of these crops into general circulation. The textile section of South Carolina around Greenville and Spartanburg vicinity, as well as in North Carolina around the Charlotte, Gastonia, Shelby and Hickory sections show considerable improvement, as mills are resuming operations on a very good schedule. The vicinity of Rockingham is somewhat handicapped as a result of prolonged textile strikes at that point. There has also been a recent strike trouble in textile and furniture industries around High Point, Thomasville and Winston-Salem, but as these difficulties have been adjusted, general improvement in that vicinity is being revealed and the next 30 days should show considerable improvement in the rural sections of Western North Carolina around the points just mentioned, as the tobacco market will open in that section shortly. General improvement is also noted around the centers of Greensboro and Burlington as a result of the reopening of banks, as well as the general improvement in textiles at these points. Eastern North Carolina, being principally a farming section, shows some improvement as a result of better tobacco prices, and the situation is comparable to that previously expressed with reference to Eastern South Carolina.

**OHIO:** Collections in Cincinnati are fair, and there is a marked improvement in the demand for men and women's wearing apparel, with the general sentiment much brighter.

**TEXAS:** The report received from Ft. Worth indicates that collections have shown some improvement in the last few weeks both on current bills and accounts carried over from previous years. Sales for the month have improved considerably. The heavy rains in Waco have damaged cotton and lowered the grades to such an extent that the farmers have been unable to gather the crop and dispose of it. The first cotton usually is mortgaged to the banks or the government and we hope when they get to picking again that they will be in a position to pay some debts to the merchants and they will pay the wholesalers.

**WASHINGTON:** Tacoma reports the lumber and shingle mills are now employing more men, and there is a larger and better class of outlets reported, which in a measure is relieving the unemployment situation. Collections have improved.

## BUSINESS CREDIT

**I**F the mainspring of a business is the brains and driving force of some man, there is no surer, quicker way to strengthen the credit position of that firm than by taking adequate Business Insurance on his life.

This matter needs careful consideration. May we, without obligating you in any way, provide some general information on this subject? Address:

..... INQUIRY BUREAU.....

  
LIFE INSURANCE COMPANY  
OF BOSTON, MASSACHUSETTS

197 Clarendon St. Boston, Mass.

Please send information regarding business credit.

Name.....

Address.....

C.M.



## **Bankruptcy** **aims**

(Cont. from p. 21) appointment of public examiners who are charged with the duty of making a thorough examination of every bankruptcy case that comes into court, no matter what the assets are, and no matter whether or not the creditors are indifferent to the bankrupt's application for a discharge from his debts.

The bill does not interfere with the creditors, their attorneys or the trustees who wish to conduct examinations of the bankrupt, or who oppose his discharge. Indeed, as Mr. Garrison in a recent article in this magazine explained, it is proposed to modify the administration bill so that if creditors desire to examine the bankrupt, the official examination may be adjourned, and where necessary dispensed with altogether if the Referee deems it advisable. But in any event, the bill guarantees a thorough examination in each and every case.

Under the present system, the bankrupt very often gets away with enough assets to prevent any real examination. Under the proposed system, he cannot avoid such examination, no matter how meagre the assets. The filling of this procedural gap will prevent a great many of the abuses under the present system.

The administration bill also seeks to prevent the bankrupt from eating up his estate until there is nothing left for the creditors by providing for an order suspending the bankrupt's discharge for a period not exceeding two years, if

"(1) the assets of the bankrupt at the commencement of the proceedings were not of a value equal to 50 cents on the dollar of the amount of his provable debts, unless he satisfies the court that such fact has been due to circumstances for which he can not justly be held responsible; or (2) that he contracted any provable debt within four months prior to the commencement of the proceedings without having at the time of contracting it any reasonable or probable ground of expectation of being able to pay it; or (3) that he has brought on, or contributed to, his bankruptcy by rash and hazardous speculations or by unjustifiable extravagance in living, or by gambling or by culpable neglect of his business affairs."

Under the proposed system, suspending the bankrupt's discharge, he will be compelled to turn over to his trustee during his probationary period all his after-acquired property, less his exemptions and necessary living expenses. If the bankrupt conforms to the order of the court in good faith, he obtains his discharge at the end of the period; if not, it will be denied.

This amendment at least recognizes

the duty which a bankrupt owes his creditors not to squander his assets at their expense. Furthermore, it recognizes the principle that the discharge of a debtor from his debts is not a right but a privilege, which he can earn only by showing that he has acted fairly toward his creditors.

We realize, of course, that in the last analysis, no law, no system is any better than those who administer it. No matter how good the law, if the administrators are incompetent or worse, the law must fail.

The proposed administration bill recognizes this principle by requiring that only properly qualified and responsible persons or institutions can be appointed receivers or trustees, and that such appointees will be reasonably compensated on the basis of dividends to creditors. The bill further recognizes and adopts the principle that with the appointment of properly qualified and competent trustees much of the present "straight-jacket" red tape restrictions can be eliminated.

How often have we seen under the present system the absurd situation of a trustee petitioning on ten days notice to creditors for a sale of assets which did not realize enough to pay for the

time, trouble and expense involved in drawing the various papers necessary to effectuate the sale. On the other hand, under the proposed Bill, procedural provisions with reference to the sale of assets are very much simplified. The trustee is given greater latitude in the disposal of assets but without relieving him of responsibility for receiving the best possible price. In addition thereto, wherever feasible, unnecessary notices to creditors and procedural "red tape" are dispensed with.

After all, there is only one way to run any business, any system—whether government or otherwise—and that is, obtain competent people, pay them reasonably for services performed and results obtained; give them authority and discretion, but hold them strictly accountable for their work. This, in substance, is one of the underlying principles of the proposed bill with reference to the duties of trustees and receivers in administering estates.

The selection of receivers and trustees is not limited to individuals. Trade associations and banking institutions are eligible for such positions. And why not? Haven't the responsible trade and credit associations and corporate fiduciaries shown in the (Cont. on page 40)

## QUALIFIED

If your credit risk has Aetna Fire Group protection, there's no question about THAT part of his qualifications.

**AETNA INSURANCE COMPANY**

**THE WORLD FIRE AND MARINE INSURANCE CO.**

**THE CENTURY INDEMNITY CO**

**HARTFORD, CONN.**

**PIEDMONT FIRE INSURANCE CO., Charlotte, N. C.**







# Answers to credit questions



Conducted by Walter C. Foster

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest are printed regularly in *Credit and Financial Management*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

## Continuing guaranty

*Q. We would like to know whether a continuing guaranty entered into in 1920 is still in effect.*

*A. Our opinion is that it is. That this is so is clear from the very definition of a continuing guaranty itself, which is that such a guaranty "is one that is not limited in time or to a particular transaction or to specific transactions, but is operative until revoked."*

## Collections

*Q. Please advise whether a "Demand Before Suit" collection form to be used in connection with delinquent accounts is a violation of any law or legally objectionable?*

*A. The form submitted is a simulation of a court paper and is obviously intended to mislead the debtor into believing that the claim is already in litigation. The use of any forms simulating legal process has been universally condemned by the courts. Some cases have gone so far as to hold that the person using such documents is guilty of abuse of process or even of contempt of court.*

## Installation of machinery under conditional sales contract

*Q. When machinery is sold in the state of New York under a conditional sales contract, these contracts being recorded as conditional sales in the manner required by the state of New York, and installed in that manner, does it become a part of the realty in the sense that it is necessary to record the conditional sale contract in conformity with Section 67 of the Personal Property Law?*

*A. Whether or not machinery sold under a conditional sales contract becomes part of the realty when installed depends solely upon the manner of installation which is a question of fact. If it is so affixed that to remove the same would not result in material injury to the property, it is the general rule that the fixture does not become a part of the realty. Each case, however, would have to be governed by its own peculiar state of facts in this regard.*

## Assignment of accounts

*Q. When an account is assigned to a third*

*party, is it your opinion that the notice of assignment given to the debtor must be given by the original seller, or does it suffice if the notice is given by the assignee, the third party?*

*A. When an account has been assigned from A to B, notification of the assignment is ordinarily given by B, the assignee. In some states notice of the assignment is not necessary to perfect the title of the assignee. Such is the case in New York.*

*The safe and proper practice, however, is to notify the debtor in all cases.*

## Bankruptcy aims

(*Cont. from page 39*) past that they are well qualified to fill such positions? In fact, investigations carried on by the government in its bankruptcy study have shown that when responsible trade and credit associations have undertaken the work of adjustment, the returns to creditors have been larger, and the expense of administering the estate smaller than in the bankruptcy court.

The bill, however, does not propose to give any one trustee a monopoly. On the contrary, the proposed Act distinctly states that there shall be sufficient trustees to insure adequate administration and a reasonable measure of competition between such persons.

The administration bill makes another forward step by putting the whole subject of assignments, deeds of trust, and similar agreements under the jurisdiction of the Bankruptcy Act, where it properly belongs. The advantages of such a step are summed up by the Solicitor General in these words:—

"1. From the point of view of the honest debtor, he is assured by the filing of the assignment he can under no circumstances (except by his own culpability) be adjudged a bankrupt. Furthermore, he would have the assistance of the court in dealing with unscrupulous or obstinate minorities opposing a proper settlement or extension. Finally, if he failed to secure releases from all his creditors, he would be able to obtain a discharge from the court, if entitled to it without being adjudged a bankrupt.

"2. From the point of view of the creditors, there would be the most substantial gains. Minorities could be dealt with. Hostile proceedings in bankruptcy could not be precipitated, with the attendant waste, expense and duplication of effort. The powers of the creditors' committees would be expressly recognized by statute. Any committee or creditor dissatisfied with any action of the trustee could seek a ruling from the court or cause the final accounting to be reviewed. An undesired trustee filing an assignment could be removed at a meeting without expense and delay . . . . The trustee would have the full powers of a trustee in bankruptcy . . . . Thus the trustee could sue to recover preferences or fraudulent transfers; could examine witnesses (including the debtor) under oath before the referee, if he so desired; could set aside certain liens which he can not now set aside; and on on. Concealments of property from the trustee would be a criminal offense, since all

the bankruptcy offenses would apply to the new proceedings. Finally, power would be given the court, beneficial to creditors, to deal with unscrupulous assignees in proceedings which terminated in bankruptcy."

The administration bill proposes to do away with the duplication of receivers in ancillary proceedings by providing that the qualified receiver shall be appointed the ancillary receiver in every jurisdiction where a certified copy of the order of his appointment is filed.

The administration bill further provides that all applications for allowances, expenses, etc. in the ancillary proceedings must be brought in the court appointing the original receiver. By this provision much of the abuse in connection with the duplication of expenses in ancillary receiverships will be avoided.

The new bill proposes to bring under its jurisdiction the whole question of corporate reorganizations through equity receiverships. The underlying reason for applying to the Federal Court for an equity receiver is the precarious financial condition of the business sought to be reorganized. Nevertheless, the Federal Courts under our present system cannot take jurisdiction unless there is a diversity of citizenship. Even if jurisdiction is obtained through this diversity of citizenship and it thereafter develops that the corporation is bankrupt, a few creditors may destroy the possible beneficial effects of a proposed reorganization by petitioning the concern into bankruptcy. Surely corporate reorganizations involving millions of dollars of creditors' and stockholders' money should not have to depend for protection upon the fiction of citizenship. Nor should such far reaching plans of reorganization be dependent upon the whim of a few creditors who could throw the business into bankruptcy, and thereby force ruinous liquidation.

It is obvious, therefore, that reorganization of corporate enterprises is part and parcel of a sound bankruptcy system. The new bill recognizes this fact and by a special section covers this subject of corporate reorganization, with adequate safeguards for the protection of bondholders, creditors and stockholders.

All plans for reorganization are subject to court review, so that minority rights are protected. At the same time, proper provision is made in the bill to prevent recalcitrant minorities from thwarting an otherwise beneficial reorganization plan. Of course, the evils and expense of that monstrosity, the ancillary receivership, ever present in



far flung corporate reorganizations, will be avoided by the provisions in the new act already discussed providing that the original receiver shall be the ancillary receiver, who must account in the court that first appointed him.

Furthermore, under the proposed amendment, if reorganization is impossible, the Federal Court may in the same proceeding adjudicate the corporation bankrupt, if it has been guilty of any act which would be ground for denying a debtor's discharge. In other words, under the proposed bankruptcy bill, once the corporation is before the court, whether voluntarily or involuntarily, in a reorganization proceeding, jurisdiction is retained until the business is completely administered either through reorganization or, if necessary, through liquidation in bankruptcy.

One of the great defects under the present system is the failure of trustees to collect outstanding accounts, owing to the necessity of entering suit where debtors fail to pay. Under the new act, debtors may be summoned before the referee and if the amount of indebtedness is conceded, judgment may be entered against such debtors and execution issued. It is hoped by this provision that a good many claims left until the end of the estate and then disposed of for a nominal sum will be collected by the trustee.

The bill, in its administrative features, aims to speed up the administration of the estate as much as possible. The time for the debtor to file his answer to the petition in bankruptcy is shortened. Unnecessary notices to creditors are eliminated, and more responsibility is put upon the trustee in administering the estate, without the necessity of procedural red tape in taking many steps now required. In short, the policy of the proposed Act is, on the one hand, to bring the debtor's business under the jurisdiction of the bankruptcy court before the debtor has dissipated his assets; and on the other hand, once the estate is placed under the control of the bankruptcy court, to give the creditors an efficient and proper business administration and liquidation of the estate by properly qualified officers; at the same time, assuring and officially recognizing creditor cooperation.

The administration bill is well worthy of passage. It accomplishes what, in the language of the President of the United States, is necessary for a sound bankruptcy system, for it seeks

"First, to relieve honest but unfortunate debtors of an overwhelming burden of debt;

"Second, to effect a prompt and economic liquidation and distribution of insolvent estates; and

"Third, to discourage fraud and needless waste of assets by withholding relief from debtors in proper cases."

The splendid work of the Solicitor General and his assistants has been completed. They have submitted a bill to Congress which is well worthy of passage. Minor amendments may be neces-

sary, but if so, they will be proposed and acted on at a future time.

The important thing to remember is that the work of the Solicitor General is done. It is now up to the credit men of America to carry on the fight for the speedy passage of the bill, for they know best the disastrous results of the present system. The public must be made to understand that a proper bankruptcy system is a very important part of any general plan (Cont. on page 42)

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## Bankruptcy aims

(Cont. from page 41) for economic reconstruction. For how can private business reach its full measure of success if it has to bear the burden of an inefficient and wasteful bankruptcy system? The public should be made to understand that the terrible losses now occurring under our present bankruptcy system are inevitably charged back and paid by it in one form or another.

Of course, all this requires propaganda and education of the public if prompt results are desired. Merely passing resolutions will not secure the passage of the bill, but credit and trade associations can do very effective work in creating this mass public opinion through lectures, through debates and even through radio talks. The place to create public sentiment for the bill is not so much in the hearings before Congress as back home among the people. If we wait merely for the Congressional debates to create a public opinion, we will have to wait indefinitely. Remember, it took from 1881 to 1898 to pass even the present act. Must we wait another 17 year for the amended bill to become law?

We won't have to if you, Mr. Credit Man, will do your share in publicizing the beneficent effects of the new bill by urging upon the general public, and particularly upon your representative in Congress, that you want this bill passed and passed promptly.

## Back to barter?

(Cont. fr. page 17) to a range of rates varying from 15 to 33 1/3 per cent ad valorem. Earlier, varying duties were imposed on agricultural and horticultural products, including certain fresh fruits, fresh vegetables, cut flowers, foliage and rose trees.

FRANCE—Rationing of imports by establishing quotas has been extended. Among the commodities placed under the quota system have been radio equipment, certain lumber products, steel sheets, scythes, pitchforks, certain electrical apparatus, including vacuum cleaners, motors, generators, transformers, control apparatus and heating apparatus, and household enamelware. Also quotas have been established for certain leathers, canned fish, locks and keys, wooden furniture, automobile body sheets and electrical sheets, certain types of machine tools, printing machines, certain tools and measuring instruments, strip steel, certain glassware, storage batteries, electric insulators, twines or glazed yarns, umbrella frames, hammered gold in leaves, sulphuric acid, mercury, certain textiles, paper and cardboard, cigarette lighters, cotton and artificial silk hosiery, felt hats, certain knitting and hosiery machinery, certain optical

goods and scientific instruments, fountain pens, automatic pencils, certain footwear, certain jewelry, plate glass, window glass, rough cast glass and fresh fruits. In addition, there have been increases in import duties, including higher rates on certain cork products, doubling of the duties on dried prunes and increases on rubber footwear and increase of a general import surtax for semi-manufactured and manufactured products.

ITALY—The government was authorized to restrict imports from countries where the foreign exchange market is believed to be controlled to the detriment of Italian exporters. Importation of beef, both live animals and carcasses, was limited to 15 per cent of total requirements. Import duties were increased on butter and light passenger automobiles.

GERMANY—Export duty was imposed on used machinery and used machine parts, to restrict industrial migration and to avoid the dislocation of machinery markets.

AUSTRIA—Import duties on certain metals and metal products were increased and a decree given requiring permits to be obtained for importation into Austria of a list of varied products, including automobiles, chassis and motors, tires, furniture, paper, soft coal, cattle, hogs, poultry, wine, butter, cheese, edible fats, canned and other fruit, motorcycles and tractors, lard, margarine, leather and rubber shoes, cosmetics, soap, textile fabrics, watches, apples and flour.

JAPAN—Import duties increased on certain automobile parts, foodstuffs, lumber, metal manufactures, chemicals and other products, and imposition of a surtax of 35 per cent of the duty on all specific rates (approximately equal to the depreciation of the yen) with the exception of those products affected by new increases.

CZECHOSLOVAKIA—Importers of specified goods are required to obtain permits before being able to purchase foreign exchange from the national bank. Goods include fresh fruits, lard, bacon, canned foodstuffs, insulation board, rubber goods, excepting tires, unfinished veneer plywood, exposed films, razors, combustion engines, sewing and knitting machines, electric generators, motors and apparatus, typewriters, adding and calculating machines, scales, pharmaceuticals, perfumery, cosmetics and soaps. Later tires were subjected to the import permit requirements, as were oilcloth, manufactures of precious metals, shot, bullets and cartridges, certain clocks, windproof kerosene lamps, cardboard and a number of other articles.

## All-electric duplicator

The Autocopy, a new gelatine film, all-electric rotary duplicating machine, has been placed on the market by Autocopy, Inc., Chicago, Ill. Although the Autocopy differs in most respects from the manual machines, it is really the power-izing of the old principle of gelatine film duplicating, adding automatic precision, which results in the delivery of brighter copies at a uniformly higher speed.

In the matter of uniform impression, this new machine has an improvement that eliminates making copies that are printed heavy at the bottom and lighter at the top. This uniform impression is accomplished by applying the copy to the roll in a forward direction and stripping by following straight through in the same direction so that every part of the sheet gets the same degree of "contact" with the roll.

The Autocopy electric duplicator occupies virtually the same space as a manual machine. It is equipped with a one-eighth horse power motor that is practically noiseless. The desired speed is obtainable by a simple governor adjustment, and the entire "run" is automatic from the time the operator touches the sheets to the feed-rollers until they are neatly piled, face up, in the receiving basket underneath, ready for distribution. After a job is completed, the gelatine roll is wound back and is automatically moistened, ready for storage in the Autocopy rack which is an integral part of the new machine.

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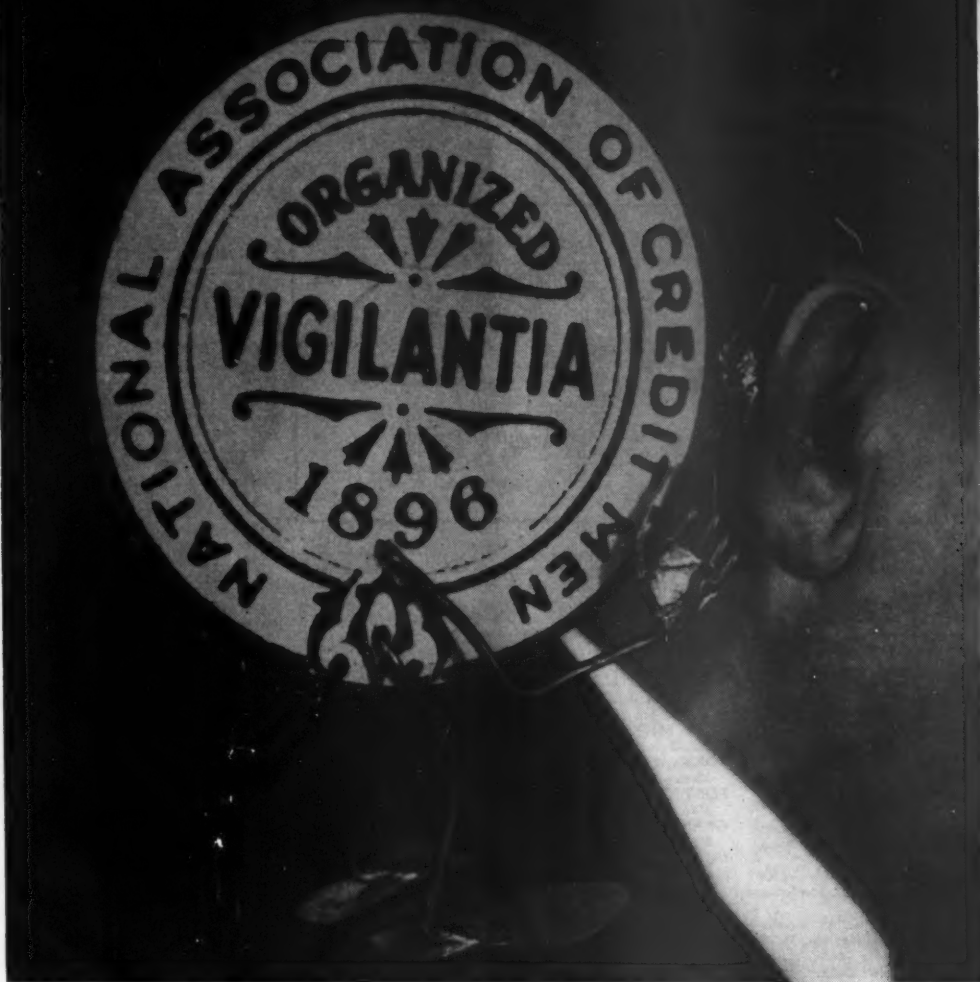
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PHILADELPHIA, PA.—Philadelphia Assn. of Credit Men. Sec.-Treas., Samuel Ardron, Jr., Cunard Bldg., 220 South 16 St.  
PHOENIX, ARIZ.—Arizona Assn. of Credit Men. Sec., Lyle Owens, 314 Title and Trust Bldg.  
PITTSBURGH, PA.—The Credit Assn. of Western Pennsylvania. Exec.-Man., H. M. Oliver, 1212 Chamber of Commerce Bldg.  
PORTLAND, ORE.—Portland Assn. of Credit Men. Exec.-Sec., James E. Breed, Gen.-Man., E. W. Johnson, 471 Pitcock Block.  
PROVIDENCE, R. I.—Rhode Island Assn. of Credit Men. Exec.-Sec.-Man., C. E. Austin, 87 Weybosset St.  
PUEBLO, COLO.—Pueblo Assn. of Credit Men. Sec.-Treas., A. C. Vitulio, 311 Thatcher Bldg.  
QUINCY, ILL.—Quincy Assn. of Credit Men. Sec., W. V. Petry, 505 Washington St.  
RICHMOND, VA.—Richmond Assn. of Credit Men. Sec., J. P. Abernethy, 305 Travelers Bldg.  
ROANOKE, VA.—Roanoke Assn. of Credit Men. Sec., H. W. Hobson, Care of Roanoke City Mills, Inc.  
ROCHESTER, N. Y.—Rochester Assn. of Credit Men. Exec.-Sec., Thomas E. McCallion, 1151 Mercantile Bldg.  
SAGINAW, MICH.—Northeastern Michigan Assn. of Credit Men. Sec., A. H. Luedeman, 2000 Adams Blvd.  
ST. JOSEPH, MO.—St. Joseph Assn. of Credit Men. Sec., W. Ransom Hook, Care of Hutchinson-Meadow Gold Co., 313 South Fourth St.  
ST. LOUIS, MO.—St. Louis Assn. of Credit Men. Sec.-Treas.-Mgr., Orville Livingston, 800 Commercial Bldg.  
SAINT PAUL, MINN.—Saint Paul Assn. of Credit Men. Sec.-Treas., T. E. Reynolds, 234 Endicott Bldg.  
SALT LAKE CITY, UTAH—Inter-Mountain Assn. of Credit Men. Sec.-Mgr., Robert Peel, 1411 Walker Bank Bldg.  
SAN ANTONIO, TEX.—San Antonio Wholesale Credit Men's Assn. Sec., H. A. Hirschberg, 1619 Alamo Nat'l Bldg.  
SAN DIEGO, CAL.—San Diego Wholesale Credit Men's Assn. Sec.-Mgr., Lawrence Holzman, Bank of America Bldg.  
SAN FRANCISCO, CAL.—Credit Mgrs. Assn. of Northern and Central California, Sec.-Mgr., O. H. Walker, 333 Montgomery St.  
SEATTLE, WASH.—Seattle Assn. of Credit Men. Sec.-Mgr., C. P. King, 7th Floor Alaska Bldg.  
SHREVEPORT, LA.—Shreveport Wholesale Credit Men's Assn. Sec.-Treas., John A. B. Smith, 212 Ardis Bldg., or P. O. Box 371.  
SIOUX CITY, IOWA—Interstate Assn. of Credit Men. Exec.-Mgr., P. A. Lucey, Badgerow Bldg., or Post Office Box 748.  
SIOUX FALLS, S. D.—Sioux Falls Assn. of Credit Men. Sec., Frank M. Thiesen, Care of Morin-Beattie Co.  
SOUTH BEND, IND.—South Bend Assn. of Credit Men. Sec.-Mgr., E. J. Payton, New Times Bldg., 2nd Fl. Suite 5-6.  
SPOKANE, WASH.—Spokane Merchants Assn. Sec., J. D. Meikle, 718 Realty Bldg.  
SPRINGFIELD, ILL.—Springfield Assn. of Credit Men. Sec., Miss Eda Mueller, Asst. Sec., Louise Murphy, Care of Geo. A. Mueller Co., Chamber of Commerce Bldg.  
SPRINGFIELD, MASS.—Western Massachusetts Assn. of Credit Men. Mgr., H. E. Morton, 616 State Bldg.  
SYRACUSE, N. Y.—Syracuse Assn. of Credit Men. Sec., Stanley R. Barker, 511 Clark Music Bldg.  
TACOMA, WASH.—Tacoma Assn. of Credit Men. Sec., E. B. Lung, Tacoma Bldg., or Post Office Box 1346.



TAMPA, FLA.—Tampa Assn. of Credit Men. Sec., S. B. Owen, 4-6 Roberts Bldg., or Post Office Box 2128.  
 TERRE HAUTE, IND.—Terre Haute Assn. of Credit Men. Sec., Edward K. Strachan, Care of Wabash Fibre Box Co., 19th & Buckeye St., or P. O. B. 394.  
 TOLEDO, OHIO—Toledo Assn. of Credit Men. Exec.-Mgr., George B. Cole, 136 Huron St.  
 TRENTON, N. J.—Central Jersey Division New Jersey Assn. of Credit Men. Res.-Sec., Edgar Simmons, 229 East Hanover St.  
 TULSA, OKLA.—Tulsa Credit Men's Assn. Sec.-Mgr., Collis L. Teale, Daniels Bldg., 9th Floor, Third and Boston Sts.  
 UNIONTOWN, PA.—Credit Association of Western Pa. Dist.-Mgr., F. W. Mossier, 701 Fayette Title Trust Bldg.  
 UTICA, N. Y.—Utica Assn. of Credit Men. Sec.-Mgr., Harmon R. Eggers, 921 First Nat'l Bank Bldg.  
 WACO, TEX.—Waco Assn. of Credit Men. Sec.-Treas., George O. Patton, Post Office Box 365.  
 WASHINGTON, D. C.—Washington Assn. of Credit Men. Acting Sec., D. E. Sessions, 827 Munsey Bldg.  
 WATERBURY, CONN.—Waterbury Assn. of Credit Men. Sec., L. S. Fitch, 36 North Main St.  
 WATERLOO, IOWA—Waterloo Assn. of Credit Men. Sec., J. E. Jordan, 214 Marsh-Place Bldg.  
 WHEELING, W. VA.—Wheeling Assn. of Credit Men. Sec.-Mgr., E. K. Pfeil, 913 Hawley Bldg.  
 WICHITA, KANSAS—Wichita Assn. of Credit Men. Exec.-Mgr., M. E. Garrison, First Nat'l Bank Bldg.  
 WICHITA FALLS, TEX.—Wichita Falls Assn. of Credit Men. Sec., John W. Thomas, 804 Eighth St., or Post Office Box 1000.  
 WILKES-BARRE, PA.—Wilkes-Barre Assn. of Credit Men. Sec., George H. McDonnell, 606 Brooks Bldg.  
 WORCESTER, MASS.—Worcester County Assn. of Credit Men. Sec., A. E. Harrell, 311 Main St.  
 YOUNGSTOWN, OHIO—Youngstown Assn. of Credit Men. Sec., O. E. Johnson, Mahoning Bank Bldg.

## Broadcasting business

(Cont. from page 19) years, our depression would have probably reached greater depths of severity. With millions of people sitting in the quiet of their homes listening to the same authoritative speaker make our complex economic problems understandable and intelligible, there was no development of insane mass psychology.

The gold standard, foreign exchange, Federal Reserve activities, unemployment and banking practices were no longer obscure, economic principles that only a comparatively few college professors understood. Most men and women understood clearly the economic reasons for England's going off the gold standard. They fully comprehended the dire consequences to this country should we be forced to abandon temporarily the gold standard basis of our credit system. Radio is in a large measure responsible for this greater understanding of our people of the vital economic loss and processes which affect our daily lives and national well being.

Even though the radio has made outstanding strides in economic education during the past few years, Mr. Aylesworth believes that greater and greater opportunities are still ahead. Young people before they ever reach the stage of advanced economic studies in colleges and universities will have a thorough grounding in the major economic fundamentals. Financial and business talks over the radio engender discussion in the family circle. People

come to accept the radio as an economic source for information. As the authoritative economic significance of radio programs gains fuller and fuller acceptance among listeners, the opportunity for radio to function as a great constructive force in saving the economic psychology of our people will be more fully realized. Without directly quoting him, the thoughts set forth in this paragraph constitute the philosophy of Merlin Ayesworth in making radio of indefinable economic service to our country.

And we are fortunate that a public relations genius like Merlin H. Aylesworth is concentrating his best thought and activities toward this bright objective. His pre-eminent success as an organizer of public service commissions, utilities and groups forms an invaluable background of experience. And as the economic development of our nation continues through future years, every citizen will owe a debt of gratitude to the man who has been so largely responsible for building radio from a mere entertainment innovation into a dominant position as one of the vital forces of modern economic life.

## P. S., he paid the premium

An incident arising out of the farmers' strike in Iowa which duplicates an experience of Civil War days, was revealed in a communication to the home office of the New York Life Insurance Company by a Sioux City agent of the company.

Wagons and automobiles were being stopped at the city line by groups of angry pickets and searched for farm produce when a farmer and his family drove up in a rickety old car loaded down with crates of chickens and eggs. Refusing all demands that he turn back, the farmer insisted that he had to get some money to pay his life insurance premium.

Finally, after a solemn discussion, the strikers permitted him to pass through the lines but with a guard who went along to make sure that he used the money to pay the premium.

Officials of the insurance company say that there is a record of an incident paralleling this story which occurred during the Civil War when, under a flag of truce, a messenger crossed the battle field carrying life insurance payments to Southern beneficiaries.

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# Court decisions and Washington notes



## Court decisions

**CONTRACT. CONSTRUCTION OF CLAUSE AS TO TIME OF DELIVERY (PENNA.).** By the written agreement sued on, plaintiff agreed to manufacture for and sell to defendant certain metal nuts, at prices stated, some of them to be delivered at once, and others "to be shipped as specified", the time of delivery as to the latter not being otherwise stated. Plaintiff manufactured all the nuts named in the contract. Some were sent to defendant and were paid for. Finally, plaintiff gave defendant written notice that unless instructions as to their delivery were specified on or before a date named, the undelivered nuts would be held by plaintiff as bailee for defendant, and suit would be brought to recover their contract price. Plaintiff thereafter brought this suit to recover their contract price, and obtained a verdict and judgment. Defendant appeals. Defendant avers that the words "to be shipped as specified" give to defendant the exclusive right to determine when and to where the goods are to be shipped, and that this right is indefinite as to time. *Held* that the court does not so interpret that language. Assuming as both parties do, that it does not mean "to be shipped (to the place) specified", but relates also to the time of shipment, then, as to the contract in its entirety does not designate a time, it must be construed to mean "to be shipped as specified" within a reasonable time. The question as to what constitutes a reasonable time is one of law, to be determined by the court. The court below held that the delay in the instant case was unreasonable, and with this conclusion the court agrees. The contract was made October 11, 1927, and the nuts were made immediately thereafter. Plaintiff's written notice to send shipping instructions was not given until April 11, 1929, a year and a half after the contract was signed, and suit was not brought until May 13, 1930, when more than another year had elapsed. Judgment affirmed. *Doebler Die Casting Company vs. Correct Measure Company*. Penna. Supreme Ct. West. Dist. Decided April 11, 1932. R

**PURCHASE OF MACHINERY. WARRANTY. BREACH. FAILURE OF BUYER TO GIVE NOTICE IN TIME. WAIVER.**

**ATTEMPT BY SALESMAN TO REPAIR. (ARK.).** Action to recover the balance of the purchase price and to foreclose mortgage. The defense was breach of warranty. Under a contract for the sale of machinery which contained a warranty that the same would perform the work for which it was intended as well or better than any other make of machine of the same size, working under exactly the same conditions, which warranty was conditioned upon the buyer's giving notice to the company by registered mail or telegram within six days from the starting of said machinery, clearly specifying his complaint, and the buyer should forthwith discontinue the use thereof pending the remedying of such claimed defect or deficiency, etc., *held*, that such contract will be enforced as written, and the notice provided for must be complied with by the buyer before he can enforce the warranty against the seller, or escape payment for the machinery. The fact that the salesman who made the sale, went out to the place where the machine was being operated and made several attempts to adjust the machine to make it operate properly, and finally gave it up, did not constitute a waiver on the part of the seller of the notice required by the contract, but it became the duty of the buyer to give the notice and discontinue the operation of the machine when the salesman failed to properly adjust it. Decree for plaintiff affirmed. *Carle v. Avery Power Machinery Co.* Ark. Supreme Ct. Decided May 16, 1932.

**FOREIGN CORPORATION. RIGHT TO MAINTAIN ACTION. FAILURE TO SECURE LICENSE. INTERSTATE TRANSACTION. TALKING PICTURE EQUIPMENT (ARK.)** Plaintiff's representative called on defendant with reference to leasing talking machine equipment for defendant's theatre. The contract was made in New York. Plaintiff was to install, repair and inspect the apparatus. Defendant defaulted in certain payments. Plaintiff brought this action for recovery of the machinery, payments and damages. The defense was that plaintiff was a foreign corporation not authorized to do business in the state and it therefore could not maintain this action. *Held*, that where the essence of the contract was the leasing or renting of talking picture machinery in New York for shipment to, and installation in, a city in this State, the same was an interstate transaction, and it was not divested of its character as interstate commerce by reason of an agreement forming a part of the contract for inspection and repair of the machinery after being installed, at point of destination. Judgment for defendant reversed. *General Talking Pictures Corporation v. Shea*. Ark. Supreme Ct. Decided May 9, 1932.

**NEGOTIABLE INSTRUMENTS. AUTOMOBILE. SALE UNDER CHATTEL MORTGAGE DEVICE. PROMISSORY NOTE. NEGOTIABILITY (MICH.)** A suit on a promissory note made by defendant to a sales company, and transferred to plaintiff for value and before due. With the note, and also transferred to plaintiff, there was also made a writing, in legal effect a chattel mortgage, though called a sales agreement, covering the subject matter of the transaction, an automobile. The inquiry is whether plaintiff is a holder in due course. In that regard the presence of an acceleration clause in both note and mortgage is urged as destroying negotiability. Non-negotiability is also urged upon a provision of the mortgage that mortgagor shall insure the property, and it is urged that mortgage and note must be construed as one instrument, and, when so construed, the obligation is uncertain in amount. 2 Comp. Laws 1929, Sec. 9250. Although the writings in question were made at the same time, and on one sheet of paper, there are here two instruments. The note is distinctly a note. It does not refer to the mortgage. The mortgage speaks of it as an instrument of even date. As executed the writings were separated by a perforated line. *Held* that in this regard the case is ruled by *Shattuck v. Reed*, 221 Mich.

155. The note and mortgage not being a single instrument, there is nothing to indicate that conditions of the mortgage should be imported into the note. The provision for insurance was to preserve the security. It relates to security, not to indebtedness. The note is a negotiable instrument. Plaintiff's holding in good faith is further challenged on the ground that no certificate of title had been issued when the papers were made and assigned. This being a new automobile, sold by a "dealer", as defined in 1 Comp. Laws 1929, Sec. 4658, certificate of title was not required until dealer had made sale. 1 Comp. Laws 1929, Sec. 4667. The defendant customer could not get certificate of title until he had become a purchaser. As purchase of a new car from the dealer completely precedes certificate of title to the customer, the papers in question, being part of the act of purchasing, likewise precede certificate of title. The point is without merit. Plaintiff held note in due course. The objection to acceleration clause is answered by *Paepcke v. Paine*, 253 Mich. 636, against defendant judgment for plaintiff notwithstanding verdict affirmed. *Northwestern Finance Company v. Crouch*. Mich. Supreme Ct. Decided June 6, 1932.

**CONDITIONAL SALES. ATTACHMENT OF LAUNDRY MACHINERY TO REAL ESTATE. REAL ESTATE MORTGAGE. INTENTION OF CONDITIONAL VENDOR AND VENDEE. FIXTURES. (MASS.).** Bills in equity seeking to establish the plaintiff's title to certain laundry machinery, all of which was sold on conditional sales contracts. *Held* that the issue whether the machinery became a part of the realty and passed to the plaintiff, under its mortgage was a mixed question of law and fact. The machinery was of such a character that the intention with which it was installed upon and attached to the real estate becomes an important if not the controlling factor. Much of the machinery was fastened to the floor by lag screws or bolts but solely for the purpose of steadying the machinery and for its more convenient use; and there are pipe connections for the purpose of conveying to the machines hot water, steam or electricity. Four of the machines set on legs in a cement trench so constructed as to drain water into the sewer. The expectancy of life of the machinery was much shorter than that of the building or the use of any part of it for a laundry. Each item of machinery was sold from stock and none was made specially for use in this particular building. Each item was equally adaptable for use in other laundries. None of the items of machinery had lost its identity in being affixed to the building. The building as a whole and the part occupied by the laundry are adaptable to use for other types of business. The plaintiff was not led to believe that the machinery was a part of the real estate and included in the mortgage security. The master found that neither the conditional vendor nor the vendee intended that the machinery involved should become part of the real estate. The entries must be, interlocutory decree and order for final decree in the case against Poland and Mahoney affirmed and in the other two cases orders for interlocutory decrees affirmed. *Lawyers Mortgage Investment Corporation of Boston v. Paramount Laundries, Inc. & ano.* Mass. Supreme Judicial Ct. Decided May 24, 1932.

**CONDITIONAL SALE. MOTOR VEHICLE. AFTER-ACQUIRED TIRES AND TUBES BY SEPARATE CONDITIONAL SALE. RIGHTS OF CAR'S CONDITIONAL VENDOR (CONN.)** The defendant sold William Carney an automobile truck under a conditional bill of sale which was duly recorded. This provided that title to the car "including all parts, accessories and equipment now or hereafter attached to or used in connection with said car, shall remain in the seller"; and it required the purchaser to maintain the car in good order and repair. The plaintiff, while the car was in the possession of Carney, sold him four tires and tubes under a conditional bill of sale duly



recorded which contained a provision: "it is specially agreed that the tires shall not in any event become a component part of any motor vehicle upon which they are attached but shall in all events remain the separate property of the seller herein until fully paid." On August 18th, 1931, Carney broke his agreement with the seller of tires, and on August 30th, 1931, he broke his agreement with the defendant who thereafter took possession of the car. Thereupon the plaintiff demanded the tires and tubes of the defendant, but the defendant refused to deliver them to it. *Held* that, while the authorities are not in harmony, this court regards the weight of reason to be with those who hold, at least in the absence of express provision concerning after-acquired equipment, that the conditional venditor of a car, or repossessing it, takes only such title as the purchaser had in parts or equipment sold to him under a conditional bill of sale, which are easily and readily detachable as tires and tubes. There is no error in refusal to set aside the verdict in favor of plaintiff. *Tire Shop v. Peat*, Conn. Supreme Ct. of Errors. Decided June 21, 1932.

**VOLUNTARY. RIGHT OF BANK TO OFFSET. BANKRUPT'S DEPOSIT AGAINST DEBT. CLAIMED PREFERENCE. (TEXAS).** The Landa Industries, Inc. was indebted to the Alamo National Bank for \$100,000.00 borrowed money, represented by two notes, each for \$50,000. due respectively on February 10 and February 20, 1930. The Landa Co. had on deposit with the bank over \$68,000. On that day an application was made to the bank for the extension of the note due February 10, and the bank was advised that the Landa Company wanted to draw a check for \$25,000. The bank declined to either extend the note or honor the check, and notified the Landa Company that its account would be closed and the balance appropriated to the payment of the notes. It appeared that the Landa Company had an account on margin with J. S. Bache and Co., a brokerage house in New York, and a demand had been made for additional margins of \$25,000. to be put up before 12 o'clock that day. In looking over the accounts of the Landa Company it was discovered that J. E. Jarratt and Co. was indebted to it for approximately \$25,000. J. E. Jarratt, president of the Jarratt Co. and chairman of the board of the Landa Company, agreed to supply the money for the payment of the debt due by the Jarratt Company and made an arrangement with the president by which he sold to him 100 shares of the capital stock of the bank for \$20,000 and gave his check for \$5,000 on a St. Louis bank. Pursuant to this agreement, the bank received the check of the Landa Company for \$25,000 and issued its cashier's check, payable to J. S. Bache & Co. in exchange. Jarratt's check was collected and his stock was delivered a few days later. The Landa Company was adjudicated bankrupt on February 12, 1930 on its voluntary petition. The bank sought to prove up a debt of \$48,154.40 based on the note for \$50,000. due February 20. The trustee objected on the ground that by the above outlined transaction the bank had received certain payments or deposits of funds after knowledge of insolvency and within four months before bankruptcy, which amounted to a preference, under the provisions of section 60 (a) of the Bankruptcy Act. *Held* that the bank had the right to appropriate the deposit and offset it against the debt evidenced by the notes and no preference would result from that action. When it did so, as between the bank and the bank the accounts were closed and the rights of the parties were fixed. The subsequent transaction by which the cashier's check was issued was distinct and separate. The bank acted merely for the convenience of the bankrupt, received no benefit whatever and did not divert any of the assets of the bankrupt to its own use. The transaction was entirely in good faith and was not intended by anyone to be a preference. In fact, it was thought it would preserve considerable assets for the benefit of the bankrupt and its general

creditors. The transaction did not create a preference. Judgment against trustee affirmed. *Cop-Texas*, U. S. C. C. A. 5th Cir. (Texas). *Depard v. Alamo National Bank of An Antonio*, cited May 26, 1932.

**BANK. INSOLVENCY. SIGHT DRAFT. COLLECTION. CASHIER'S CHECK. PROTEST. COMMINGLING WITH OTHER FUNDS. CONTRACT. VIOLATION. SUMMARY ORDER OF RECLAMATION.** Petitioner Milling Company drew a sight draft on the Liberty Baking Corporation, payable to the order of The Bank of United States and forwarded it to the payee for collection Attached to the draft was a paper which read as follows: "To the Collecting Bank: This draft is not to be treated as a deposit The funds obtained through its collection are to be delivered to the International Milling Company and are not to be commingled with other funds of the collecting bank." The draft was received by the payee on December 3d, 1930, and paid by the drawee on December 9th. The payee mailed to the petitioner its cashier's check. On December 11th the Superintendent of Banks took possession of The Bank of United States for the purpose of liquidation. The check issued by the bank was subsequently presented for payment and payment being refused was duly protested. The petitioner thereupon moved at Special Term for a summary order directing the Superintendent of Banks to pay over the proceeds of the draft in question, which order was granted and unanimously affirmed by the Appellate Division. The question is whether the appellant holds the fund derived from the payment of the draft as bailee or debtor, and, as bearing upon that question, whether petitioner, by receiving and presenting for payment the cashier's check accepted an unconditional credit and thus became a preferred creditor and ceased to have the rights of a bailor. *Held* that the contract was that the proceeds of the collection shall not be commingled with the other funds of the bank, but delivered to petitioner. To say that by crediting the proceeds to petitioner's account on the books of the bank and commingling the proceeds of the collection with the general funds of the bank changed the relation between the parties from that of bailor and bailee to that of creditor and debtor would be to give effect to a positive breach by the bank of its contract and to make binding upon the petitioner acts which it specifically contracted against but over which it had no control. The bank did not acquire title to the fund in question when the draft was paid by the drawee, and could not acquire title thereto by commingling such fund with its general funds. The Superintendent of Banks, when he took over the bank for the purpose of liquidation, acquired no greater interest in the fund than the bank possessed. It does not appear that petitioner knew either that a credit had been made in its favor or that the funds had not been kept separate. It was entitled to rely upon compliance by the bank with the terms of the contract. No procedure is prescribed for reclamation of such property in the event of a refusal by the liquidator to deliver it upon demand. In such case the court has inherent power over the liquidator as over any other receiver, in the absence of controversy as to ownership or other legal or equitable defense, summarily to direct redelivery by the receiver. Order affirmed. *Matter of Bank of United States*. (Application of International Milling Co.) Ct. of Appeals. Decided April 26, 1932.

**PREFERENTIAL PAYMENT. EVIDENCE (N. Y.)** From a decree dismissing his bill of complaint to recover a preferential payment, the trustee in bankruptcy has appealed. The trustee in bankruptcy of Morris Sugarman brought suit to set aside a payment of \$3500 made by the bankrupt to the defendant bank within four months of the bankruptcy. Upon the evidence adduced all the elements of a preference voidable under section 60b of the Bankruptcy Act (11 USCA sec. 96) were found

to exist except the last, namely, the requirement that the creditor "shall then have reasonable cause to believe" that the transfer would effect a preference. As to that issue the court below found in favor of the defendant. The correctness of this finding is the only question presented by the appeal. On June 6, 1930, Sugarman opened an account with the defendant. On that date the bank loaned him upon his own notes \$5,000 and on July 1st an additional \$2500. The line of credit granted was \$7500. on his own paper and \$12,500 on bills receivable. It was apparently understood that he should keep on deposit a balance equal to about 20 per cent of the credit extended. Before opening the account the bank had obtained credit reports on the bankrupt as well as statements showing his general balance sheet. While the bankrupt's statement disclosed a solvent condition, the credit reports running back to February showed him increasingly slow in payments. Shortly after June 17th the bank was warned by the Bank of America, where Sugarman had previously banked, that his balances there had dwindled until that bank had stopped extending credit. This was evidently the reason for Sugarman opening his account with the defendant. On June 20th, Mr. Debevoise, the defendant's vice-president in charge of credits, noted in the bank's credit file that he did not consider this an attractive risk and that "extreme caution should be exercised." *Held* that the bank knew that for six months Sugarman had been increasingly slow in paying his bills, that his commercial credit rating had been withdrawn by the National Credit Office, that his bank balances had steadily dwindled and that he would be without banking credit when forced to close his account with it. It had expressed dissatisfaction with Sugarman's explanation of his former partner's overdrawing account, and it resorted to the unusual procedure of requiring payment of its debtor's notes before they were due and out of discounted bills receivable. It realized that its loan was "very shaky", and was advised by Mr. Debevoise to get assigned accounts as security until it could work out the risk. These circumstances raised more than suspicion of danger. They were enough to put the creditor on inquiry touching the debtor's insolvency and adequate inquiry would have disclosed his insolvency. In preference cases notice of facts which would incite a man of ordinary prudence to an inquiry under similar circumstances is notice of all the facts which a reasonably diligent inquiry would have disclosed. Decree reversed and the cause remanded for entry of a decree in favor of the plaintiff. *Pender v. Chatham Phenix National Bank & Trust Co.* U. S. C. C. A. 2nd Circuit (N. Y.) Decided May 23, 1932.

## Washington Notes

### Trade acceptances receive attention

A nation-wide campaign for the extension of bank credit through the use of trade acceptances being undertaken by a committee of prominent bankers and industrialists, is engaging the attention of industrial concerns and merchants throughout the country. The campaign, which is under way, includes the appointment of a special committee in each federal reserve district to cooperate fully with industrial concerns desiring to inaugurate the trade acceptance method in settlement of out-going shipments, and with the banks which are seeking light on the most approved method of discounting the trade bills presented to them by their customers.

The Finance and Investment Division of the Bureau of Foreign and Domestic Commerce can furnish to business men who may be interested a list of some sources of information on trade acceptances, and references to discussions of this subject which have appeared in official and trade publications during the recent years.



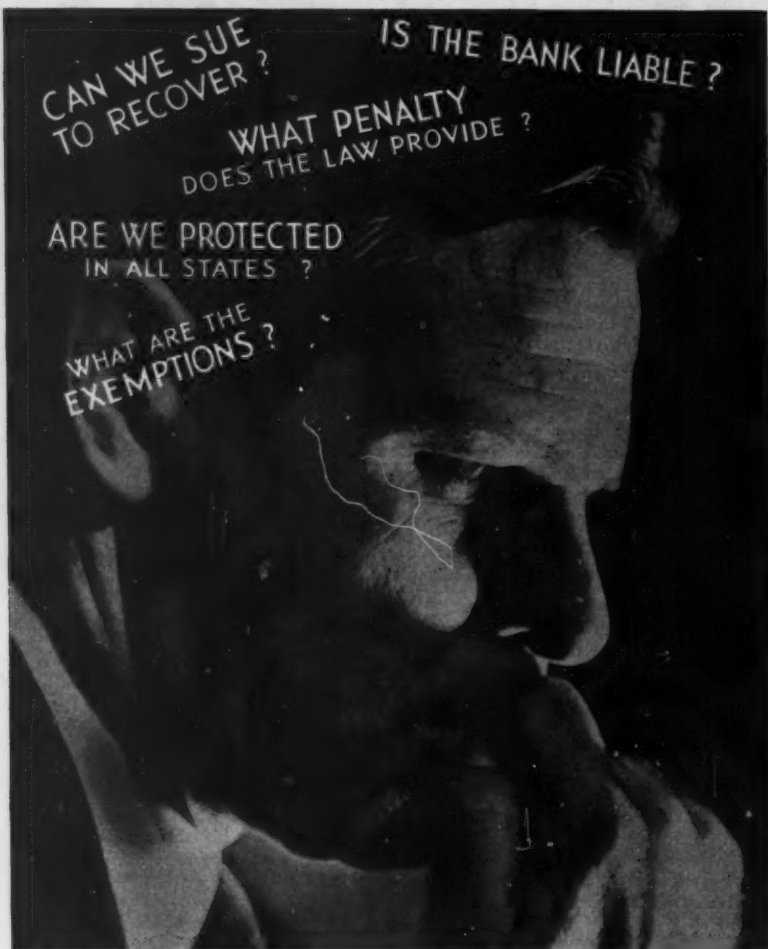


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